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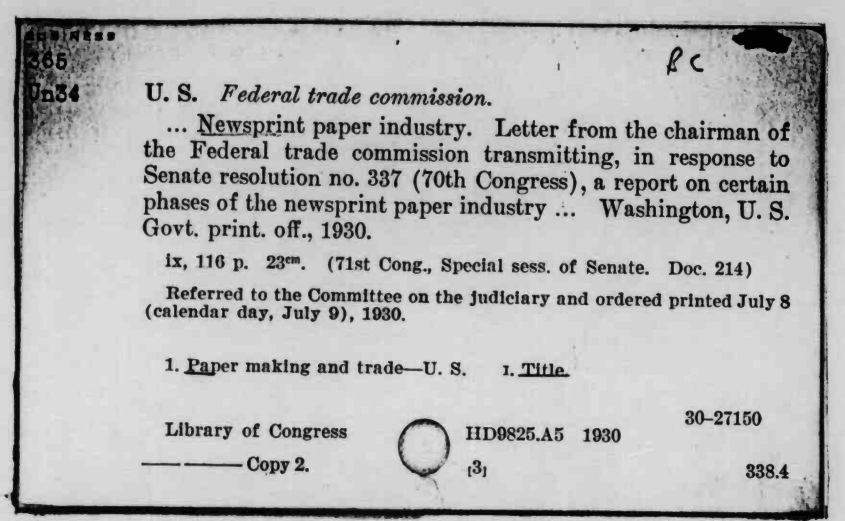

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NEWSPRINT PAPER INDUSTRY

LETTER

FROM THE

CHAIRMAN OF THE FEDERAL TRADE COMMISSION

TRANSMITTING, IN RESPONSE TO SENATE RESOLUTION No. 337 (70TH CONGRESS), A REPORT ON CERTAIN PHASES OF THE NEWSPRINT PAPER INDUSTRY

JULY 8 (calendar day, JULY 9), 1930.—Referred to the Committee on the Judiciary and ordered to be printed

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ACKNOWLEDGMENTS

This inquiry was conducted under the general direction of Mr. H. L. Anderson, chief of the legal investigating division.

For the direct supervision of the inquiry and the preparation of the report the commission makes special acknowledgment of the services rendered by Mr. Anderson H. Tackett.

Valuable services were also rendered by Messrs. James A. Mullally and I. D. Royal.

LETTER OF TRANSMITTAL

FEDERAL TRADE COMMISSION,
Washington, June 30, 1930.

The PRESIDENT OF THE UNITED STATES SENATE.

SIR: There is transmitted herewith a report of the Federal Trade Commission regarding certain phases of the newsprint paper industry resulting from the investigation made pursuant to Senate Resolution 337, Seventieth Congress, second session.

Respectfully transmitted.

GARLAND S. FERGUSON, JR., *Chairman.*

NEWSPRINT PAPER INDUSTRY

FEDERAL TRADE COMMISSION,
Washington, June 30, 1930.

To the PRESIDENT OF THE UNITED STATES SENATE.

SIR: On February 27, 1929, the United States Senate directed the Federal Trade Commission (S. Res. 337, 70th Cong. 2d sess.) to investigate certain phases of the newsprint paper industry. Information was desired as to whether the practices of the manufacturers and distributors of newsprint paper tend to create a monopoly in the supplying of newsprint paper to publishers of small daily and weekly newspapers and whether such practices constitute a violation of the antitrust laws. A report was requested as soon as practicable, together with recommendations, if any, for necessary legislation. The inquiry was confined to the terms of the resolution, and in addition certain information was secured regarding the investment of manufacturers of newsprint paper in newspapers.

SCOPE OF INQUIRY

Questionnaires were sent to each manufacturer of newsprint paper in the United States. Breifly, the letter called for the total production, analysis of sales, and prices since 1924, and the details of all contracts for the sale of paper in effect during 1929. A complete analysis of capital stock or other financial interest owned by each manufacturer in other concerns, including newspapers, was also requested. In addition, the manufacturers located throughout the United States were visited by the commission's attorneys who examined the records and correspondence files of each concern. Correspondence between the company and other manufacturers or associations of manufacturers, jobbers, or publishers, as well as correspondence between the branch offices and different departments of the company, were examined. Particular attention was given to the question as to whether there was collusion among the companies as to the fixing of prices.

Letters were also directed to 27 newsprint paper manufacturers located in Canada, requesting information similar to that furnished by the domestic manufacturers. Only five of these companies furnished any portion of the information requested so that the statistics presented in this report are not complete as to the operations of Canadian newsprint manufacturers in the United States.

Data involving the purchases and sales of newsprint paper, including the quantity handled, the purchase price, and the selling price annually for the years 1924 to 1929, were secured from jobbers of this kind of paper. Their records were also examined by the representatives of the commission, and this examination consumed

much of the time devoted to the investigation. The information was believed necessary, however, so that the margin between the price charged by the manufacturer and the jobber, from whom most small newspapers make their purchases, could be ascertained.

Fifty-five owners of chains of newspapers furnished information relating to their experiences in the purchase of paper. The letter called for a complete list of newspapers owned, their circulation, annual consumption of paper, from whom purchased, prices paid, and details as to their financial interest in companies manufacturing newsprint paper. A representative number of publishers were also requested to furnish information which would indicate the importance of the cost of newsprint paper to them as compared with the total cost of publication.

The associations composed of newsprint manufacturers include the News Print Service Bureau, 342 Madison Avenue, New York City, and the American Paper and Pulp Association, with general offices at 18 East Forty-first Street, New York City. The associations composed of distributors include the National Paper Trade Association, with headquarters in the Graybar Building, New York City, and its affiliated State and local associations. The leading associations composed of publishers are the American Newspaper Publishers Association, 270 Madison Avenue, New York City; the National Editorial Association, with executive offices at St. Paul, Minn.; and the American Press Association, 225 West Thirty-ninth Street, New York City. All of the associations named were investigated for the purpose of ascertaining whether their activities affected the industry.

SUMMARY OF PRINCIPAL FACTS

There are 42 paper mills located in the United States producing newsprint paper and 38 in the Dominion of Canada. In 1929 the United States mills produced 1,392,276 tons while the Canadian mills produced 2,728,827 tons. It is significant to note that the consumption by publishers in the United States in 1929 was approximately 3,794,000 tons, of which 36.2 per cent was produced by domestic manufacturers, 57.8 per cent was imported from Canada, 3.5 per cent from Newfoundland, and 2.5 per cent from other countries, principally from Sweden and Finland. It is also important to note that the production of paper in Canada has increased materially in recent years while the production in the United States has remained about the same for several years. In 1919 the total production of newsprint paper in the two countries was 2,178,000 tons. Of this amount Canada produced 803,000 tons, or 37 per cent, while the United States produced 1,375,000 tons, or 63 per cent. In 1929 the total production was 4,121,103 tons, of which Canada produced 2,728,827 tons, or 66 per cent of the total, and the United States produced only 1,392,276 tons, or 34 per cent. This country is the principal newsprint customer of Canada and the exports to the United States in recent years have increased in proportion to the increase in production.

Of the 34 companies in the United States producing newsprint paper the three largest are the Great Northern Paper Co., the Crown Zellerbach Corporation, and the International Paper Co.

These three companies manufacture 50 per cent of the newsprint paper produced. In 1928 the Great Northern Paper Co. produced 22 per cent of the total production in this country, the Crown Zellerbach Corporation, approximately 15 per cent, and the International Paper Co. and its subsidiaries about 11.7 per cent. In addition, the Crown Zellerbach Corporation produced about 2.6 per cent of the newsprint production of Canada and the International Paper Co. about 13.9 per cent. No evidence was disclosed indicating any agreements or understandings between these companies with respect to prices.

The bulk of the paper consumed by the publishers is purchased direct from the mills on contract. The paper is in rolls, although a small number of publishers purchasing direct from the mills use sheet paper for which there is a fixed differential of $5 per ton over the price of rolls. Contracts for newsprint requirements are made for periods of from 1 to 10 years, the price usually being stated for one year only. In 1929, 1,437 newspapers in the United States were supplied with 3,208,079 tons by shipment direct from the mills, which was equivalent to approximately 80 per cent of the estimated consumption in the United States. This does not include the sales on contract of several Canadian companies in the United States, which, if added to the tonnage accounted for, would increase the total sold in this manner to more than 90 per cent of the consumption. In two sections of the country small publishers have formed organizations to purchase their newsprint requirements. The operations of these cooperative buying organizations have been successful, the Missouri Press Association serving 50 of its members and the Pennsylvania Newspaper Publishers Association serving 14 of its members.

The price of paper reached the peak in January, 1921, when the f. o. b. mill contract price was $130 per ton. The increase in the price, which had been going up since 1917, had stimulated production, and, as a result, prices immediately began to decline due to overproduction. By January 1, 1922, the mill price was $70 per ton. During the year there was an increase in the price from $70 to $75 per ton, which was the prevailing price until June 30, 1924. Since then there have been six reductions in the mill price. By July 1, 1928, the prevailing mill price was $62 per ton, with allowances for freight charges in excess of certain rates. This price was to prevail during 1929. However, on October 29, 1928, the International Paper Co. entered into a contract with the Newspaper & Magazine Paper Corporation, purchasing organization for the Hearst papers, for a large quantity of paper at prices substantially lower than those previously announced. The contract provided for f. o. b. mill prices with full freight allowed the purchaser to destination. The prices which this contract would have established were from $7 to $10 per ton lower than those previously announced. Since it is the policy of the International Paper Co. to make the same price to all carload buyers, the prices to the Hearst organization threatened to become the prevailing price. However, after considerable negotiations with the Canadian companies, including the Premiers from Ontario and Quebec, which continued until February, 1929, an agreement was reached whereby the contract price was increased approximately $5 per ton. Finally, on February 26, 1929, a new contract was

executed between the International Paper Co. and the Hearst buying organization embodying the revised prices, which were as follows:

$61.50 f. o. b. mill, freight allowed to Boston, Albany, Rochester, Syracuse.
$62 f. o. b. mill, freight allowed to New York, Baltimore, Washington, Detroit, Chicago, Pittsburgh.
$61 f. o. b. mill, freight allowed to Milwaukee.
$63 f. o. b. mill, freight allowed to Omaha and Kansas City.
$65 f. o. b. mill, freight allowed to Atlanta.
$67.70 f. o. b. mill, freight allowed to San Antonio, Tex.

On the same day the Hearst purchasing organization renewed contracts with the Anglo-Canadian Pulp & Paper Mills (Ltd.) and the Brompton Pulp & Paper Co. (Ltd.), both Canadian corporations, naming the same prices as those fixed in the International contract. The contract prices of these two companies represented substantial reductions in the prices previously effective to the Hearst papers.

As a result of the above, the International Paper Co. worked out a sytem of zoning and made a price applicable to publishers in each zone which reflected the prices stated in the Hearst contract. These contracts were for a period of five years. Other companies met the price reduction of the International Paper Co. which prevails to-day, although a determined effort was made by the Canadian officials to have the price raised for 1930. A decision was reached that the price would not be changed before July 1, 1930.

By comparing the price paid by the publisher purchasing on contract in carload lots with the prices charged by jobbers for paper in rolls and sheets, it will be seen that the margin of profit is not unreasonable. The range of jobbers' quoted prices for the entire country in 1929 was as follows:

Rolls in 1-ton lots, $3.05 to $4.50 per hundredweight.
Rolls in 500-pound lots, $3.60 to $4.75 per hundredweight.
Sheets in 1-ton lots, $3.75 to $5.75 per hundredweight.
Sheets in 500-pound lots, $4.25 to $5.75 per hundredweight.

THE NEWSPRINT INSTITUTE OF CANADA

Following the announcement of the contract between the International Paper Co. and the Hearst buying organization in October, 1928, the leading manufacturers of Canada, at the instance of the Prime Ministers of the Provinces of Quebec and Ontario, organized the Newsprint Institute of Canada. Its purposes are to restrict production to the quantity sold, to allocate orders to the constituent mills on the basis of their daily rated capacity, and to fix prices. It is understood that all Canadian companies except the Canadian International Paper Co., the Spruce Falls Power & Paper Co. (Ltd.), the Ontario Paper Co. (Ltd.), and the two Pacific coast companies, have joined the institute. The institute controls about 70 per cent of the paper produced in Canada, which percentage of control is much higher since the Ontario Paper Co. (Ltd.) is owned by and sells its entire output of newsprint to the Chicago Tribune, and the Spruce Falls Power & Paper Co. (Ltd.) sells practically all of its output to the New York Times. Unsuccessful efforts were made to induce the Canadian International Paper Co., a subsidiary of the International Paper Co., to join the institute. Complete information of the combination could not be obtained due to the fact that it is made up of foreign corporations over which the commission apparently has no jurisdiction.

CONCLUSIONS

The following conclusions may be drawn from the facts disclosed in the detailed report:

1. There is no company selling newsprint paper in the eastern part of the United States with a sufficient proportion of the business to constitute a monopoly.

2. The possible monopoly, or tendency toward monopoly, by the Crown Zellerbach Corporation of the newsprint paper business in the Pacific Coast States and the acquisition by the Crown Zellerbach Corporation of the capital stock of the Crown Willamette Paper Co., while controlling the Washington Pulp & Paper Co., are subject matters of a case now being further investigated by the commission.

3. No evidence was found of any practices of the domestic manufacturers and distributors of newsprint paper showing unlawful discriminations against the publishers of small daily and weekly newspapers, or that constitute violations of the antitrust laws.

4. While the International Paper Co. sells only about 20 per cent of the newsprint paper consumed in the United States, other domestic manufacturers generally follow its lead in making newsprint prices.

5. The contracts entered into on February 26, 1929, between the International Paper Co. and the Newspaper & Magazine Paper Corporation, purchasing organization for the Hearst newspapers and between the Hearst organization and each of the two Canadian companies, viz, the Anglo-Canadian Pulp & Paper Mills (Ltd.), and the Brompton Pulp & Paper Co. (Ltd.), resulted from the several agreements and understandings, reached at various conferences between and/or among representatives of the Hearst organization, the International Paper Co., the Hon. L. A. Taschereau, Prime Minister of the Province of Quebec, and the Hon. G. Howard Ferguson, Prime Minister of the Province of Ontario. The two prime ministers were acting on behalf of the newsprint manufacturers of their respective Provinces. The purpose and the effect of the several agreements and understandings were to fix and establish the contract price of newsprint paper. The International Paper Co. was induced to agree to an increase in the price of newspaper to the Hearst papers by threats of diciplinary action on the part of the prime ministers.

6. It is believed that the Newsprint Institute of Canada, if formed and existing in the United States, would be in violation of the antitrust laws, including the antitrust provisions of the Wilson Tariff Act, which reads in part as follows:

Every combination, conspiracy, trust, agreement, or contract is hereby declared to be contrary to public policy, illegal, and void when the same is made by or between two or more persons or corporations either of whom, as agent or principal, is engaged in importing any article from any foreign country into the United States, and when such combination, conspiracy, trust, agreement, or contract is intended to operate in restraint of lawful trade or free competition in lawful trade or commerce, or to increase the market price in any part of the United States of any article or articles imported or intended to be imported into the United States, or of any manufacture into which such imported article enters or is intended to enter. (Comp. St., 8831.)

The Newsprint Institute of Canada is, however, a foreign combination and is not under the jurisdiction of the United States, unless it creates an agency in this country over which the Federal Government could have jurisdiction. No such agency has been found to exist in this country.

7. The International Paper Co. is the only manufacturer of newsprint paper which aided publishers, to any appreciable extent, in financing newspaper publications. The evidence gathered in this investigation tends to show that financial assistance was given in consideration of securing long-term contracts to supply the publishers so financed with newsprint paper by the International Paper Co. Since the beginning of this investigation the International Paper Co. has disposed of practically all of its stock and other securities in publishing companies.

RECOMMENDATIONS

The following recommendations are made:

1. That publishers of small daily and weekly newspapers, wherever possible, "set up machinery" for purchasing their requirements of newsprint on a cooperative basis in order to get the benefit of the manufacturers' contract prices for paper in shipments of carload lots.

2. That the United States Government, through the appropriate departments, continue its experiments with the manufacture of paper from farm-waste products.

3. That the government-owned timberlands and water-power sites in Alaska be made available to domestic-owned companies on liberal terms for the development of the paper industry in Alaska, having in mind, of course, the conserving and perpetuating of these natural resources.

4. That the future activities of the Newsprint Institute of Canada in relation to the sale of newsprint paper and the fixing of the market prices in the United States be watched closely with a view to remedial action if any agency is found to exist, or is created within the United States, for the enforcement of such activities as may be contrary to the antitrust laws of the United States.

Respectfully submitted.

GARLAND S. FERGUSON, Jr., *Chairman.*

CHAPTER I

ORIGIN AND SCOPE OF INQUIRY

Section 1. The Senate resolution.

This inquiry into the newsprint paper industry has been made by the commission pursuant to a resolution adopted by the Senate of the United States reading as follows:

> *Resolved*, That the Federal Trade Commission is requested to make an investigation upon the question of whether any of the practices of the manufacturers and distributors of newsprint paper tend to create a monopoly in the supplying of newsprint paper to publishers of small daily and weekly newspapers or constitute a violation of the antitrust laws, and to report to the Senate as soon as practicable the results of such investigation together with its recommendations, if any, for necessary legislation.[1]

The above resolution was developed from another resolution (S. Res. 292, 70th Cong., 2d sess.) introduced by Senator Schall providing for "a special select committee of five Senators" to investigate the newsprint paper industry. The resolution made allegations in its preamble to the effect that—

> Whereas it is announced in the December 22 issue of a weekly newspaper-trade magazine known as Editor and Publisher that a certain group of men controlling the white paper business of the world has purchased a controlling interest in a chain of American newspapers at a cost of $10,000,000 and that such group is also prepared to purchase the controlling interest in many of the large daily newspapers of the United States; and
>
> Whereas the men composing such group are not citizens of the United States but are citizens of foreign countries and are making such purchases in order to induce publishers to make 15-year contracts with the group for supplying their white paper; and
>
> Whereas if such group should control many of the big dailies of this country they might have sufficient influence to prevent the passage of a bill to utilize farm wastes in the making of paper and thus prevent the establishment of a competitive source for the supply of paper and thereby tend to place the publishers of the smaller newspapers of the country at the mercy of the group; and
>
> Whereas in a series of syndicated articles by Blair Coan, a Washington newspaper correspondent, it is suggested that the 15-year contracts offered by these paper manufacturers may be for the purpose of preventing paper made from farm wastes finding a market when produced; and
>
> Whereas it is essential to protect the smaller newspapers of the country as well as the farmers who produce the farm wastes which may be utilized for the manufacture of paper: Therefore be it
>
> *Resolved*, * * *

These charges were not referred to in the resolution which was finally approved by the Senate. However, the commission has covered the investment in newspapers by manufacturers and jobbers of newsprint paper in this investigation and report.

[1] S. Res. 337, 70th Cong., 2d sess., adopted Feb. 27, 1929.

Section 2. Scope of the inquiry.

Soon after the resolution was received, the commission released for publication a statement in which it said, "The inquiry will be carried on in strict compliance with the terms of the resolution." Specifically, the resolution requests the commission "to make an investigation upon the question of whether any of the practices of the manufacturers and distributors of newsprint paper tend to create a monopoly in the supplying of newsprint paper to publishers of small daily and weekly newspapers or constitute a violation of the antitrust laws." The commission has followed the terms of the resolution and confined its inquiry to the practices of the manufacturers and distributors of newsprint paper. The activities of associations of manufacturers and jobbers of newsprint paper and also publishers' associations have been investigated. Data on production, sales, and prices of newsprint paper from January 1, 1924, to June 30, 1929, have been collected from manufacturers having mills located in the United States. Unsuccessful efforts were made to obtain similar information from all manufacturers whose mills are located in the Dominion of Canada.

The inquiry has covered the quantity of newsprint purchased and the purchase price as well as the volume of sales and selling prices by the principal paper merchants or jobbers in the United States.

Section 3. Methods of conducting the investigation.

In these paragraphs will be described the efforts made to secure the complete facts. The results will be shown on succeeding pages.

Manufacturers in the United States.—A questionnaire letter was mailed to each paper manufacturer in the United States which the paper mill directories indicated to be producers of newsprint paper. The letter was sent to 53 companies, 34 of which are manufacturers of newsprint. Briefly, the letter called for the total production, analysis of sales, and prices of newsprint paper annually since 1924, and the details of all contracts for the sale of paper in effect during 1929. A complete analysis was requested of the ownership of capital stock or other financial interest by each manufacturer in all other concerns including newspapers.

The newsprint paper manufacturers located in the United States were visited by the commission's attorneys, who made an examination of the records, including the existing contracts for the sale of paper and the correspondence files, especially correspondence between the company and other manufacturers or associations of manufacturers, jobbers, or publishers, as well as correspondence between the branch offices and different departments of the company. Particular attention was given to the question as to whether there was collusion among the companies as to the fixing of prices for the finished product.

Newsprint manufacturers located in the Dominion of Canada.—Letters were written to 27 newsprint paper manufacturers located in the Dominion of Canada and Newfoundland requesting information on the number and location of newsprint mills operated, the total production and sales for shipment to points in the United States, as well as prices on sales in the United States annually since 1924. Only five of these companies furnished the data requested. The others referred the request to their attorney located in New York City, who furnished a part of the information but refused to furnish lists of customers and prices of the Canadian manufacturers for shipments to the United States. It was claimed that the companies, being in a foreign country, were not subject to the commission's jurisdiction. Many personal interviews were had and there was much correspondence with this attorney in a vain effort to secure the essential information, which would have made the statistics presented in the report practically complete.

Newsprint-paper distributors.—It was very difficult to obtain data from which to compile a complete list of merchants or jobbers distributing newsprint paper. During the investigation the commission sent either a questionnaire letter or one of its attorneys to 440 paper merchants or jobbers, 191 of whom were found to be dealers in newsprint paper and who furnished information pertinent to the inquiry. The letter called for the details of purchases and sales of newsprint paper, including the quantity handled, the purchase price, and the selling prices annually for the years 1924 to 1929. The attorneys visited 286 paper merchants or jobbers, many of whom did not deal in newsprint. In addition to assisting in the preparation of reports the commission's attorneys examined the records, including contracts for the purchase and/or sale of newsprint paper and correspondence with the leading manufacturers and associations of merchants and publishers.

The information, as outlined above, was necessary in order to ascertain the margin between the prices charged by the manufacturer and the paper merchant or jobber. In some quarters the charge had been made that the small newspaper was at a disadvantage in purchasing paper as compared with the large publisher who purchased on contract from the manufacturer.

Newspaper chains.—The owners of "chains" of newspapers were called upon for information bearing on the newsprint-paper industry. A questionnaire letter was mailed to 68 such owners, 55 of whom responded with information relating to their experiences in securing their requirements of newsprint paper. The letter called for complete lists of newspapers owned, their circulation, annual consumption of print paper, from whom purchased and prices paid. The chain owners were also requested to give complete details of their financial interests in paper-manufacturing companies. Personal interviews were had with the owners of some of the more important chains.

Newspaper publishers.—An effort was made to secure information from a limited number of newspapers which would show the importance of the cost of newsprint paper to the publisher as compared with the total cost of publishing the paper. To this end certain publishers were requested to furnish the commission with the names, location, and circulation of their papers, the annual requirements of newsprint paper, from whom purchased, and the price paid. They were also asked to furnish the cost of newsprint and the total cost of publishing the paper for a designated period. The publishers responded generously with this information.

Associations.—Investigation was made of the activities of associations of paper manufacturers, paper distributors, and newspaper publishers in so far as such activities may affect the newsprint paper

industry. The manufacturers associations include the News Print Service Bureau, 342 Madison Avenue, New York, N. Y., and the American Paper and Pulp Association, 18 East Forty-first Street, New York, N. Y. The distributor's associations include the National Paper Trade Association, with headquarters in the Graybar Building, New York, N. Y., and its affiliated State and local associations. The leading publishers' associations are the American Newspaper Publishers Association, 270 Madison Avenue, New York, N. Y.; the National Editorial Association, with executive offices at St. Paul, Minn.; and the American Press Association, 225 West Fifty-ninth Street, New York, N. Y.

CHAPTER II

PRODUCTION, IMPORTS, AND EXPORTS OF NEWSPRINT PAPER

Section 1. Development and growth of the industry.

The rapid growth of the newspaper publishing industry has made the development of the newsprint paper manufacturing industry possible. On the other hand the manufacture of paper from wood pulp which had its beginning in the sixties (see report of the Federal Trade Commission June 13, 1917, p. 23) made possible the enormous increase in the number and volume of newspapers. In fact the two industries depend upon and, to a great extent, support each other.

Newspapers.—Following the beginning of the use of wood pulp in the manufacture of paper, newspapers increased rapidly in number and also in circulation per issue. In 1860, which was prior to the use of wood pulp, there were only 387 daily papers with a total circulation of 1,478,435, and 3,173 weekly papers with a circulation of 7,581,930. By 1927 the number of daily papers had increased to 2,265 with a gross circulation of 42,343,210. While the weeklies had increased to only 7,760, their gross circulation in 1927 was 55,985,413. The Sunday papers which, in 1860, were included in the figures for daily and weekly papers, numbered 511 in 1927 with a circulation of 27,695,859.

The increase in the number of papers and the circulation per issue does not reflect the increase in the quantity of print paper consumed unless the increase in the size of the newspaper (number and size of pages per issue) is also considered. In the days when the "ragman" was the principal source of supply for the raw material, paper was not so plentiful. In the absence of quick means of communication (telephone, telegraph, radio, etc.) news also was scarce. Some of the early newspapers of the United States were printed on sheets of paper 11½ inches by 15 inches, folded to make 4 pages 7½ by 11½ inches. It is reported that one such paper printed but 3 pages, leaving the fourth blank for "personal messages." (U. S. Bureau of Labor Statistics Bulletin No. 475, p. 243.) In contrast to the small 4-page paper of 2 to 4 columns per page of the early days, it is now not uncommon to pick up a daily paper of 50 to 60 pages 18 inches wide and 21 to 24 inches long with 8 columns to the page.

The first Sunday paper published in the United States was the New York Courier, started in 1825. (U. S. Bureau of Labor Statistics Bulletin No. 475, p. 243.) It was a regular weekly newspaper published on Sunday only and not a Sunday edition of a daily paper. At first, Sunday papers were no larger than other newspapers. The earlier reports of the United States Bureau of the Census in compiling statistics included Sunday papers with weeklies if published independent of daily papers, or with dailies

if published in connection therewith. By 1909 Sunday papers had become an important factor and were reported separately. Their sizes have increased from that of the ordinary daily to a bulky paper, many running well over 100 pages. One daily newspaper reported issuing Sunday editions of more than 200 pages.

A statement has been prepared (see pp. 64 and 65) from reports direct to the commission in conjunction with reports to the audit bureau of circulation as published by Editor and Publisher, showing the circulation of 100 daily papers, 67 of which publish a Sunday edition, from which the following figures were taken:

	Pages per issue			Circulation		
	Low	High	Average	Low	High	Average
100 dailies	14	46	29	27,233	1,319,634	185,290
67 Sundays	61	173	96	48,000	1,546,505	289,291

In 1860 there were 3,173 weeklies (including Sunday papers published independent of dailies), with a circulation of 7,581,930. The number had increased by 1909 to 13,903 papers (excluding Sunday weeklies), with a circulation of 20,946,335. The number of weeklies dropped to 12,145 papers, with a circulation of 20,740,551, in 1919.[a] There was a further decline in the number of weekly papers by 1925 to only 6,435 papers, with a total circulation of 15,989,700. No attempt was made in this investigation to ascertain the reasons for the rapid decline in the number of weekly papers published between 1919 and 1925. It should be noted, however, that this was a period of postwar condition emphasized by scarcity and abnormally high prices of newsprint paper.

Production of newsprint paper.—Prior to the introduction of wood pulp into the paper industry, print paper was made of rags, straw, and other vegetable fibers. (Report of Federal Trade Commission on the newsprint industry, June 13, 1917, p. 23.) Wood pulp was introduced into the paper business to take the place of rags in 1867. (Christian Science Monitor, November 14, 1929.) At first only ground wood pulp was obtained from the wood, to which it was necessary to add about 25 per cent rag fiber to give the paper strength. About 1891 a process was discovered for producing chemical or sulphite pulp in which the long fibers of the wood are retained. Since this discovery newsprint paper is made wholly from wood by using 75 to 80 per cent ground wood and 20 to 25 per cent sulphite pulp.

From the beginning of the use of wood pulp, the development of the newsprint paper industry in the United States has been rapid. Statistics of early production are not available. According to the reports of the Census Bureau, the paper mills of the United States have produced the following quantities of newsprint paper during the years stated:[1]

[1] For figures on production gathered during this investigation, see p. 23.

TABLE 1.—*Quantity and value of newsprint paper produced in the United States*

Year	Tons	Value	Year	Tons	Value
1899	569,212	$20,091,874	1921	1,237,408	$114,314,537
1904	912,822	35,906,460	1923	1,521,080	110,864,736
1909	1,175,554	46,855,560	1925	1,563,318	106,083,161
1914	1,313,284	52,942,774	1927	1,516,929	98,782,477
1919	1,323,880	98,559,359			

The production of newsprint paper by the United States mills for the year 1929 was 1,392,226 tons. (News Print Service Bureau Bulletin No. 144, January 15, 1930.)

Section 2. Process of Production.

Newsprint paper is made principally from wood pulp. Spruce is the most generally used wood, although hemlock and fir are also used. Two kinds of pulp are produced from wood, first ground-wood pulp in which the fiber is broken too short and when used alone does not produce paper strong enough for ordinary use, and, second, sulphite pulp in which the long fibers are retained. A cord of wood will produce approximately 2,200 pounds of ground-wood pulp or 1,100 pounds of sulphite pulp.

The most economical newsprint mills are those located at natural water-power sites, above which, in the river's drainage basin, pulp-wood timber is grown. The wood is cut into 4-foot lengths and transported to the mill by floating down stream, wherever possible, or by rail or water transportation. A considerable quantity of the wood is kept in the wood pond, and is conveyed as needed by automatic carriers into the wood house where it is cut into 2-foot lengths and passed through a large revolving drum, known as the barking drum to remove the bark. Pieces of wood not thoroughly barked are put through another and more thorough device known as the knife barker.

Having been barked, the wood is assorted and the cleaner and better grade is passed along to the "chippers" to be cut into chips for the production of chemical or sulphite pulp. The other wood is conveyed to the grinders to be converted into ground-wood pulp, which, as stated above, can not be used alone for the production of paper.

Ground-wood pulp.—Ground wood or mechanical pulp is produced by applying pieces of wood to a large grindstone which revolves at a high rate of speed within a casing. The casing is provided with pockets into which the wood is inserted and pressed against the revolving stone by hydraulic pressure. The grinders are usually operated by water power, the stone being attached directly to the turbine shaft. The ground mass of wood comes from the grinders in the form of "slush," which goes through a large screen sometimes called the "bull" screen and then to "knotters" to remove the coarser particles. The slush then goes through a series of screens. The accepted stock from the screens is conveyed to a "thickener" where a part of the water is removed, the pulp going into stock for newsprint and the white water returning to the bull screen to be used again. The rejects from the screens go into stock for wrapping or other coarser grades of paper.

Chemical pulp.—A sufficient quantity of cleaned barked wood is conveyed from the barkers to the "chippers" where it is cut into chips which are screened and conveyed to the chip loft ready for use. Chemical pulp is produced by cooking the chips of wood under steam pressure in a solution of bisulphite of lime.

A common method of producing bisulphite of lime is known as the "tower" system. In this system the sulphur is burned in specially constructed ovens with a limited amount of air, forming a sulphur dioxide gas. This gas is run through pipes which pass through tanks of water to cool the gas and into tall towers usually made of wood with a lead lining. The towers are filled with blocks of limestone. A constant stream of water is inserted into the top of the tower. The sulphur dioxide gas passing upward through the limestone, enters into combination with the water and lime and forms a solution of bisulphite of lime which flows from the bottom of the tower.

The process in the production of sulphite pulp is consummated in large boilers generally known as digesters, usually cylindrical in shape and tapering at both top and bottom, forming cones. The digesters are made of boiler plate and lined with acid-resisting brick or tile set in acid-proof mortar. The digester is filled with chips and bisulphite of lime, the manhole closed, and steam inserted at the bottom: "This is continued until the steam pressure reaches about 80 pounds and the temperature about 365°." (Federal Trade Commission report on newsprint paper June 13, 1917, p. 28.) The cooking process requires from 9 to 11 hours. From the digester the cooked mass goes to the blow pits to be washed to free it from acids and other matter. It then passes through a series of screens and the thickener into the sulphite pulp storage tank.

Paper making.—Ground pulp and sulphite pulp are brought together in the proper proportions in the mixer. The proportions are about 77½ per cent ground wood and 22½ per cent sulphite. A solution of aniline blue is added to the mixture to whiten the paper. After being thoroughly mixed the pulp is conveyed to the paper machine stock chests, from which it is pumped through weight regulators into a mixing box, where water is added to bring it to a proper consistency. It then goes through the paper machine screens into the head box, a long narrow box at the head of and extending across the full width of the paper machine. From the head box a slushy pulp is fed onto a mesh-wire belt consisting of fine copper wires woven with about 70 meshes to the inch. These belts are 80 to 90 feet long and their width determines the width of the paper produced. Much of the water is removed from pulp slush on the wire belt and is returned to the mixing box to be used again. Just before leaving the wire belt the pulp passes over vacuum boxes which causes more water to be sucked through the mesh wire. At the end of the wire belt the sheet passes between two rolls called the couch rolls, the upper one of which is covered with a felt jacket.

From the wire belt the thin sheet of white pulp runs onto a woolen belt and passes between a series of press rolls which squeeze out further quantities of water. Thence the sheet runs over several large hollow cast-iron cylinders called driers heated within by steam. From the driers the sheet passes through the calender stack of rolls and is wound into a large roll on the reel, thus completing the process of making newsprint paper.

The process of manufacture was more minutely described by the Federal Trade Commission in its report on the newsprint industry on June 13, 1917.

Section 3. Newsprint paper mills in the United States.

There are 34 paper manufacturers with mills in the United States producing newsprint paper. Some of these manufacturers also own or control mills in Canada. These companies own or control 63 domestic mills equipped for the production of newsprint. Reports direct from the companies show that 47 of these mills were operated during 1928 producing 1,367,116 tons. It will be noted in this report that the production of newsprint paper in the United States is gradually decreasing from year to year and that a number of domestic mills are being diverted to the production of other classes of paper.

The rated capacity of the mills, however, has increased slightly during the last five years. The following tabulation shows the names of the companies with the location and rated daily capacity in tons of their mills operating in the United States:

TABLE 2.—*Names of newsprint paper manufacturers in the United States, with the location and daily capacity of mills, 1924 and 1929*

	1929	1924
	Tons	*Tons*
Great Northern Paper Co., Millinocket, Me.: Millinocket, Me.; East Millinocket, Me.; Madison, Me.	970	737
Crown Zellerbach Corporation, San Francisco, Calif.: West Linn, Oreg.; Camas, Wash.; Port Angeles, Wash.	434	392
International Paper Co., New York, N. Y.:	276	130
Glens Falls, N. Y.; Fort Edward, N. Y.; Hudson River, Palmer Falls, N. Y.; Otis, Chisholm, Me.; Glen, Berlin, N. H.; Webster, Orono, Me.; Winnipiseogee, Franklin, N. H.; Montague, Turners Falls, Mass.; Wilder, Vt.; Woods Falls, Glen Park, N. Y.; Rumford, Me.	1,100	1,041
De Grasse, Pyrites, N. Y. (formerly De Grasse Paper Co.)	----	176
Lake George, Ticonderoga, N. Y.		
Chateaugay, N. Y. (formerly High Falls Pulp & Paper Co.)	----	25
Norwalk, Conn. (formerly St. George Paper Co.)	----	31
Consolidated Water Power & Paper Co., Wisconsin Rapids, Wis.: Wisconsin Rapids, Wis.; Biron Rapids, Wis.	328	250
Minnesota & Ontario Paper Co., Minneapolis, Minn.: International Falls, Minn.	262	244
St. Croix Paper Co., Boston, Mass.: Woodland, Me.	191	177
Finch, Pruyn & Co. (Inc.), Glens Falls, N. Y.	144	133
St. Regis Paper Co., New York, N. Y.: Deferiet, N. Y.; Norfolk, N. Y. (formerly Hanna Paper Corporation)	----	172
Norwood, N. Y.; Raymondsville, N. Y.	160	194
Cushnoc Paper Co., Augusta, Me. (formerly Kennebec Paper Co.)	----	----
Pejepscot Paper Co., New York, N. Y.: Pejepscot, Me.; Lisbon Falls, Me.	133	55
Escanaba Paper Co., Escanaba, Mich.: Groos, Mich.	127	123
Inland Empire Paper Co., Millwood, Wash.	135	117
Algonquin Paper Corporation, Ogdensburg, N. Y.	106	94
Wisconsin River Paper & Pulp Co., Neenah, Wis.: Stevens Point, Wis.	102	80
Gould Paper Co., Lyons Falls, N. Y.	84	68
Blandin Paper Co., Grand Rapids, Minn. (formerly Itasca Paper Co.)	102	94
Manistique Pulp & Paper Co., Manistique, Mich.	81	54
Waterway Paper Products Co., Chicago, Ill.	74	63
Hawley Pulp & Paper Co., Oregon City, Oreg.	92	38
Northwest Paper Co., Cloquet, Minn.: Brainerd, Minn.	100	26
	57	43

TABLE 2.—*Names of newsprint paper manufacturers in the United States, with the location and daily capacity of mills, 1924 and 1929*—Continued

	1929	1924
	Tons	*Tons*
Gilman Paper Co., New York, N. Y.: Gilman, Vt.	62	48
Great Western Paper Co., Ladysmith, Wis.	64	58
Grandfather Falls Co., Merrill, Wis.	34	33
Watab Paper Co., Sartell, Minn.	83	27
Flambeau Paper Co., Park Falls, Wis.	32	25
Hennepin Paper Co., Minneapolis, Minn.: Little Falls, Minn.	44	35
Alexandria Paper Co., Alexandria, Ind. (closed October, 1929)	------	40
Sherman Paper Co., Watertown, N. Y.[1]	------	52
Oswego Falls Corporation, Fulton, N. Y.	40	35
Dells Paper & Pulp Co., Eau Claire, Wis.[2]	------	------
Cliff Paper Co., Niagara Falls, N. Y.	45	38
Combined Locks Paper Co., Combined Locks, Wis.[2]	------	------
Columbia River Paper Mills, Vancouver, Wash.:[2]		
Vancouver, Wash.	------	------
Tumwater, Wash.	------	------
Patten Paper Co. (Ltd.), Appleton, Wis.:[2] Outagamie Mill, Kaukauna, Wis.	------	------
Oswegatchie Paper Co. (Inc.), Natural Dam, N. Y.	53	46
Tidewater Paper Mills Sales Corporation, Brooklyn, N. Y. (discontinued)	------	103
West End Paper Co., Carthage, N. Y. (discontinued newsprint)	------	34
Arrowhead Mills (Inc.), Fulton, N. Y. (discontinued newsprint)	------	21
Nekoosa-Edwards Paper Co., Port Edwards, Wis. (discontinued newsprint)	------	33
Total daily capacity	5,585	5,212

[1] Sherman Paper Co. changed over to specialties in 1927. They manufacture a small quantity of newsprint, but figures not included in total for 1928 and 1929.
[2] Manufactured only a small quantity of newsprint. Not included in the total capacity.
[3] Number of mills, 63; number operating in 1929, 41; in 1924, 54.

The Great Northern Paper Co., Millinocket, Me., is the largest manufacturer of newsprint paper with mills wholly within the United States. It owns and operates three mills, located, respectively, at Millinocket and East Millinocket on the Penobscot River, and at Madison on the Kennebec River, all in the State of Maine. These mills are running exclusively to newsprint paper. They have a combined rated daily capacity of 970 tons, and during 1928 produced 311,637 tons of paper. The company owns standing pulp wood timber and produces both mechanical (ground wood) and chemical (sulphite) pulp for its own consumption. It also operates one machine at the Millinocket mill for the production of mill wrapping paper for its own use.

The Crown Zellerbach Corporation, San Francisco, Calif., is a holding company owning or controlling, either directly or through its subsidiaries, the Crown Willamette Paper Co., the Washington Pulp & Paper Co., both operating paper mills in the United States, and the Pacific Mills (Ltd.), with a mill in British Columbia, Canada. The Crown Willamette Paper Co. owns and operates newsprint mills at Camas on the Columbia River in Washington and at West Linn on the Willamette River in Oregon. The Washington Pulp & Paper Co. has a newsprint mill at Port Angeles, Wash. These three mills have a rated daily capacity of 710 tons and produced 211,085 tons of newsprint paper during 1928.

The International Paper Co., of New York, N. Y., although probably the largest newsprint paper manufacturer in the world, was only the third in quantity produced in the United States during 1928. The company owns 15 paper mills in the United States at each of which it manufactured newsprint at some time during the years 1924 to 1929. The combined rated daily capacity of these

mills is 1,160 tons. Only five of these mills made newsprint paper during 1928, producing a total of 165,405 tons, less than 50 per cent of the company's rated capacity. These five mills are located at Palmer Falls on the Hudson River in New York, at Pyrites on the Grass River in New York, at Livermore Falls on the Androscoggin River in Maine, at Berlin on the Androscoggin River in New Hampshire, and at Franklin on the Merrimac River in New Hampshire. Only four of the International Paper Co.'s United States mills were operated during the first three months of 1929, producing 47,706 tons at the rate of 180,000 tons per annum. During December, 1929, following a controversy with the Prime Ministers of the Provinces of Quebec and Ontario over the proposed increase in newsprint prices, the International Paper Co. prepared to resume the manufacture of newsprint in some of its American mills which had been either closed down or diverted to other papers, as is indicated by the following excerpt from Mr. Graustein's testimony on December 18, 1929:

> Question. Would you mind listing the mills that you have begun the manufacture of newsprint?
>
> Answer. I have sent for specific information, and I find that the statement which I made is slightly premature, the facts being as follows: The High Falls mill, which has been shut down for, I think, two years or more, has not, as I thought, actually begun operation, but it is to start operation on next Monday.
>
> The Lake George mill, which has not produced newsprint for, I think, two years or more, is to be started to-morrow as to two machines on newsprint.
>
> The Rumford and Fort Edward mills, which have been making in the immediate past exclusively nonnewsprint grades, are now both producing newsprint on some of their machines.
>
> The Glens Falls mill, which has not been operating for perhaps two years, is to be started on newsprint after the first of the year.

The three companies named above (Great Northern Paper Co., Crown Zellerbach Corporation, and the International Paper Co.) produced almost 50 per cent of the total newsprint paper manufactured in the United States during 1928. Their production during 1928 compared to the total newsprint produced was as follows:

TABLE 3.—*Production of newsprint paper by three large companies compared with total production in the United States, 1928*

Company	Newsprint, 1928 (tons)	Per cent
Great Northern Paper Co.	311,637	22.0
Crown Zellerbach Corporation	211,085	14.9
International Paper Co.	165,405	11.7
Total, 3 companies	688,127	48.6
All other United States companies	726,825	51.4
Total	1,414,952	100.0

The other companies, numbering 31, operated 36 mills, each producing from 480 to 71,000 tons.

Production, 1924–1928.—The table which follows shows the companies operating in the United States and the newsprint produced by each annually from 1924 to 1928:

TABLE 4.—*Quantity of newsprint paper produced by companies in the United States reporting to the commission, 1924–1928*

	1928	1927	1926	1925	1924
Great Northern Paper Co.	311,637	295,465	289,044	275,644	272,025
Crown Zellerbach Corporation	211,085	190,062	185,227	163,249	162,434
International Paper Co.[1]	165,405	246,109	349,241	264,630	221,570
Consolidated Water Power & Paper Co.	71,456	85,987	90,466	87,973	77,511
Minnesota & Ontario Paper Co.	60,715	76,729	79,834	63,621	54,767
St. Croix Paper Co.	55,880	47,173	54,011	49,220	46,345
Finch, Pruyn & Co. (Inc.)	41,703	40,797	41,242	40,069	37,365
St. Regis Paper Co.	42,309	59,675	86,823	78,010	105,621
Cushnoc Paper Co.	39,326	37,804	20,679	19,306	18,261
Pejepscot Paper Co.	37,621	34,355	40,480	39,647	32,362
Escanaba Paper Co.	32,721	32,839	36,634	23,558	25,975
Inland Empire Paper Co.	32,157	31,547	31,936	26,316	27,192
Algonquin Paper Corporation	30,953	28,574	28,497	27,784	25,864
Wisconsin River Paper & Pulp Co.	25,481	24,796	24,186	23,859	21,580
Gould Paper Co.	24,735	16,337	30,134	31,259	22,805
Blandin Paper Co.	23,924	22,131	23,856	21,082	18,049
Manistique Paper & Pulp Co.	22,021	21,548	19,915	19,249	19,114
Waterway Paper Products Co.	20,954	23,857	11,498	11,925	12,574
Hawley Pulp & Paper Co.	17,472	15,797	14,310	11,953	10,558
Northwest Paper Co.	16,530	16,866	14,334	13,722	15,184
Gilman Paper Co.	14,593	15,147	14,898	14,579	14,689
Great Western Paper Co.	11,075	9,986	10,252	10,136	12,760
Grandfather Falls Co.	10,488	10,141	10,457	10,411	9,877
Watab Paper Co.	7,044	7,458	3,674	2,684	1,560
Flambeau Paper Co.	6,719	4,240	5,043	5,530	5,997
Hennepin Paper Co.	6,546	5,828	7,430	8,272	8,782
Alexandria Paper Co. (9 months)	4,747	8,879	11,977	12,735	10,536
Sherman Paper Co.	4,972	5,449	15,519	14,376	13,787
Oswego Falls Corporation	4,831	8,464	9,472	10,367	9,578
Dells Paper & Pulp Co.	4,534	4,756	7,084	5,050	3,796
Cliff Paper Co.	3,345	3,932	5,225	5,254	4,737
Combined Locks Paper Co.	2,397	1,549	6,674	----------	----------
Columbia River Paper Mills	[2] 2,009	1,607	1,589	607	----------
Patten Paper Co. (Ltd.)	482	729	784	761	637
Total	1,367,957	1,436,643	1,582,625	1,392,838	1,323,892

[1] United States mills only.
[2] Includes Tumwater Paper Mills, which were acquired May, 1929.

The companies reporting to the commission reached their highest production during 1926 when they produced 1,582,625 tons of newsprint paper. The production of these mills declined to 1,436,643 tons in 1927 and to 1,367,957 in 1928. The decline in production is due in part to closing down and in part to diverting newsprint mills to the production of other classes of paper.

The International Paper Co. operated 11 newsprint mills in the United States in 1926, producing 349,241 tons, whereas it operated 5 in 1928, producing but 165,405 tons. It is understood that the remaining 10 newsprint mills ran to other classes of paper. Concurrently with its curtailment of production in the United States the International increased its production at Three Rivers in Canada. It constructed a plant at Gatineau in Canada, which began producing newsprint in 1927. It also purchased a newsprint mill at Corner Brook, Newfoundland, in 1928.

The West End Paper Co. operated a small newsprint mill at Carthage, N. Y., which was closed in September, 1928, on account of unfavorable conditions in the newsprint business. The plant has been sold to the National Paper Products Co., a subsidiary of the Crown Zellerbach Corporation, and converted into a tissue and paper towel mill. The Oswegatchie Paper Co., owned by the former owners of the West End Paper Co., operated a newsprint mill at Natural Dam, N. Y. The Oswegatchie Paper Co.'s mill was closed in the spring of 1929, and it is reported that the National Paper Products Co. will purchase this plant also.

The Island Paper Co. owned a small newsprint mill at Carthage, N. Y., which has now turned to the manufacture of "butcher," bag and wrapping paper, producing only about 7 tons of "half-tone" newsprint per year for a local publisher.

The Diana Paper Co. owned a small newsprint mill at Harrisville, N. Y., which has been sold to the St. Regis Paper Co. and diverted to the manufacture of wrapping paper.

The Arrowhead Mills (Inc.), Fulton, N. Y., produced newsprint paper until 1925 when they diverted to the manufacture of Kraft and "saturating" felt papers. Later the mills and power site were sold to a power company.

The Cliff Paper Co. with a paper mill at Niagara Falls, N. Y., produces newsprint and specialties. This company is gradually decreasing its production of newsprint with a corresponding increase in other papers especially hanging and colored papers. The reasons assigned for this diversion are the increase in cost of manufacture and lower prices of newsprint paper.

The Dells Paper & Pulp Co., with a mill at Eau Claire, Wis., is gradually discontinuing the manufacture of newsprint paper because there is not enough profit in it in view of the low price of print paper and the high cost of manufacture. This mill is getting into the manufacture of book and other papers.

The Great Western Paper Co., controlled by the Western Newspaper Union, has been operating its newsprint mill at Ladysmith, Wis., at a loss, due to increasing manufacturing costs and lower selling prices of newsprint.

The report from the Oswego Falls Corporation shows that the output of newsprint paper dropped from 9,472 tons in 1926 to 4,830 tons in 1928. This was due to the mill being diverted from newsprint to other classes of paper. No reasons were given for the change.

Section 4. Manufacturers in Canada.

There were 24 companies operating newsprint paper mills in the Dominion of Canada during 1928. These companies own 36 mills, with a combined daily capacity of 9,437 tons. The increase of the productive capacity of the Canadian newsprint mills has been rapid the last five years. In 1924 their total daily capacity was only 4,696 tons. The following is a list of companies operating in Canada, with the location and capacity of their newsprint mills in 1924 and 1930:

TABLE 5.—*Newsprint paper manufacturers in Canada with location and daily capacity of mills, 1924 and 1930*

	1930	1924
Abitibi Power & Paper group: Abitibi Power & Paper Co., Iroquois Falls, Ontario; Fort William Paper Co. (Ltd.), Fort William, Ontario; Manitoba Paper Co. (Ltd.), Pine Falls, Manitoba; Murray Bay Paper Co. (Ltd.), Murray Bay, Quebec; Ste. Anne Paper Co. (Ltd.), Beaupre, Quebec; Spanish River Pulp & Paper Mills, Espanola, Sault Ste. Marie, and Sturgeon Falls, Ontario	*Tons* 2,013	*Tons* 1,309
Canada Power & Paper group: Beigo-Canadian Paper Co., Shawinigan Falls, Quebec; St. Maurice Paper Co. (Ltd.), Cap Madeline, Quebec; Laurentide Co. (Ltd.), Grand Mere, Quebec; Wayagamack Pulp & Paper Co., Three Rivers, Quebec; Port Alfred Pulp & Paper Corporation, Port Alfred, Quebec	1,944	875
Thunder Bay Paper Co., Port Arthur, Ontario (owned by Canada Power & Paper Co. and Abitibi Power & Paper Co.)	246	------

TABLE 5.—*Newsprint paper manufacturers in Canada with location and daily capacity of mills, 1924 and 1930*—Continued

	1930	1924
	Tons	*Tons*
International Paper Co. group:		
Canadian International Paper Co., Three Rivers, Quebec	1,337	303
New Brunswick International Paper Co., Dalhousie, New Brunswick	240	-----
Bathurst Power & Paper Co., Bathurst, New Brunswick (International Paper Co. owns substantial interest and operates mill)	140	55
E. B. Eddy Co., Hull, Quebec (Canadian International owns 49 per cent)	127	60
Price Bros. & Co.:		
Price Bros. & Co. (Ltd.), Kenogami and Riverbend, Quebec	1,020	440
Donnacona Paper Co. (Ltd.)	240	214
Minnesota & Ontario Paper Co.:		
Fort Frances Pulp & Paper Co., Fort Frances, Ontario	283	242
Great Lakes Paper Co., Fort William, Ontario	291	-----
Kenora Paper Mills, Kenora, Ontario	252	-----
Dominion Securities Corporation:		
St. Lawrence Paper Mills, Three Rivers, Quebec	460	228
Brompton Pulp & Paper Co., East Angus and Bromptonville, Quebec	239	-----
Lake St. John Power & Paper Co. (Ltd.), Dolbeau, Quebec	252	-----
Spruce Falls Power & Paper Co., Kapuskasing, Ontario (owned by Kimberly Clark Corporation and New York Times)	480	-----
Anglo-Canadian Pulp & Paper Mills (Ltd.), Limoilou, Quebec (owned by Viscount Rothermere)	480	-----
Ontario Paper Co., Thorold, Ontario (owned by Chicago Tribune)	342	296
Mersey Paper Co. (Ltd.), Liverpool, Nova Scotia	240	-----
J. R. Booth (Ltd.), Ottawa, Ontario	158	156
Certain-teed Products Co.: Beaver Wood Fibre Co., Thorold, Ontario	77	-----
News Pulp & Paper Co., St. Raymond, Quebec (owned by Montreal Star)	37	32
Powell River Co. (Ltd.), Powell River, British Columbia	518	250
Crown Zellerbach Corporation: Pacific Mills (Ltd.), Ocean Falls, British Columbia	252	236
Total daily capacity	11,668	4,696

Number of mills operating, 1930, 39.

The Abitibi Power & Paper Co. is the largest Canadian manufacturer of newsprint paper. It operates eight mills, with a combined daily capacity of about 2,000 tons. Its mills include those formerly owned by the Spanish River Pulp & Paper Co., the Fort William Paper Co., and Murray Bay Paper Co. These mills produced 411,144 tons in 1928.

The Canadian International Paper Co. (Ltd.), a subsidiary of the International Paper Co., is the second largest manufacturer in Canada. It owns two paper mills, one at Three Rivers, Quebec, and the other at Gatineau, Quebec. These two mills have a combined rated daily capacity of 1,181 tons and produced 330,864 tons of newsprint during 1928. The company also has under construction a mill at Dalhousie, New Brunswick, which it is reported will have "an initial capacity of 250 tons per day, and a designed capacity of 450 tons." (Paper Trade Journal, November 28, 1929, p. 23.)

The Canada Power & Paper Corporation was the third largest producer of newsprint in Canada during 1928. It is a consolidation of the St. Maurice Valley Corporation (Ltd.), with a mill at Cap Madeline, Canada; the Belgo-Canadian Paper Co. (Ltd.), with a mill at Shawinigan Falls, Canada; and the Laurentide Co. (Ltd.), with a mill at Grand Mere, Canada. These three mills have a combined rated daily capacity of 1,254 tons, and produced 313,437 tons of newsprint paper during 1928. It is reported that during 1929 the Canada Power & Paper Corporation acquired the Port Alfred Pulp & Paper Co. (Ltd.), with a mill at Port Alfred, Canada, daily capacity 400 tons; and the Wayagamack Pulp & Paper Co.

(Ltd.), owning a mill at Three Rivers, Canada, with a rated daily capacity of 170 tons. This combination will have five newsprint mills, with a combined rated daily capacity of 1,824 tons. Press reports describing the merger claimed that the combination would have a daily output of 1,900 tons. (Pulp and Paper Magazine, October 3, 1929, p. 509.) The five mills produced 447,711 tons of newsprint paper during 1928 and 336,191 tons during the first nine months of 1929.

The following statement shows the production of the three largest Canadian manufacturers and per cent of the total production during 1928 and the first nine months of 1929:

TABLE 6.—*Production of newsprint paper by three large companies compared with total production of Canada, 1928–29*

	Rated daily capacity	1928 production	1929 production (9 mos.)
	Tons	*Tons*	*Tons*
Abitibi Power & Paper Co. (Ltd.)	1,988	411,144	344,261
Canadian International Paper Co.	1,181	330,864	293,810
Canada Power & Paper Corporation (Port Alfred Pulp & Paper Co. (Ltd.)): Wayagamack Pulp & Paper Co. (Ltd.)	1,824	447,711	336,191
Total (3 companies)	4,993	1,189,719	974,262
Total Canada	9,969	2,381,102	1,903,888
Per cent of total by above 3 companies	50	49.9	48.1

The three companies named above control 15 mills having about 50 per cent of the total rated daily capacity of all the newsprint mills of Canada. They produced almost 50 per cent of the total newsprint production of Canada in 1928 and 48.8 per cent in the first nine months of 1929.

The table presented here shows the production of Canadian companies from which the commission has received reports either direct or through the attorney for the Newsprint Institute of Canada. Production is shown in tons annually for 1924 to 1928 and for the first nine months of 1929.

TABLE 7.—*Quantity of newsprint paper produced by companies in Canada reporting to the commission, 1924–1929*

	1929 (9 months)	1928	1927	1926	1925	1924
	Tons	*Tons*	*Tons*	*Tons*	*Tons*	*Tons*
Abitibi Power & Paper Co. (Ltd.)	344,261	411,144	405,275	426,625	372,092	362,646
Canadian International Paper Co. (Ltd.)	293,810	330,864	259,803	163,547	102,879	99,119
Canada Power & Paper Corporation	224,729	313,437	317,332	320,311	302,880	249,803
Price Bros. & Co. (Ltd.)	141,603	177,242	183,086	214,297	157,368	117,903
Powell River Co. (Ltd.)	[1] 111,012	149,478	141,210	100,924	76,617	63,305
Minnesota & Ontario Paper Co.:						
Fort Frances Mill	34,544	59,953	62,622	49,200	47,312	43,600
Kenora Mill	48,253	62,126	70,778	55,374	26,064	15,448
Great Lakes Mill	35,211	6,408	(2)	(2)	(2)	(2)
Ontario Paper Co. (Ltd.)	[1] 75,320	99,661	97,291	96,766	95,283	93,790
Port Alfred Pulp & Paper Co. (Ltd.)	81,820	88,200	75,763	26,893	(2)	(2)
St. Lawrence Paper Mills (Ltd.)	71,624	84,977	57,315	46,870	45,165	39,931

[1] 3 months, estimated.

[2] Mill not operating.

TABLE 7.—*Quantity of newsprint paper produced by companies in Canada reporting to the commission, 1924–1929*—Continued

	1929 (9 months)	1928	1927	1926	1925	1924
	Tons	*Tons*	*Tons*	*Tons*	*Tons*	*Tons*
Anglo-Canadian Pulp & Paper Mills (Ltd.)	88, 201	80, 947	(2)	(2)	(2)	(3)
Donnacona Paper Co. (Ltd.)	52, 774	63, 605	65, 032	67, 568	65, 551	56, 815
Pacific Mills (Ltd.)	(3)	(2)	(2)	(2)	(3)	(2)
Lake St. John Power & Paper Co. (Ltd.)	46, 004	53, 868	(2)	(2)	(2)	(2)
Wayagamack Pulp & Paper Co. (Ltd.)	29, 642	46, 014	45, 209	39, 447	(2)	(2)
Thunder Bay Paper Co. (Ltd.)	47, 889	45, 536	10, 734	(2)	(2)	(2)
J. R. Booth (Ltd.)	30, 981	42, 671	40, 478	47, 425	44, 802	39, 714
Brompton Pulp & Paper Co. (Ltd.)	42, 991	41, 634	59, 766	35, 742	35, 708	32, 853
Spruce Falls Power & Paper Co. (Ltd.)	183, 439	37, 575	(2)	(2)	(2)	(2)
E. B. Eddy Co. (Ltd.)	23, 431	30, 970	36, 699	46, 848	30, 370	17, 084
Beaver Wood Fibre Co. (Ltd.)	17, 372	21, 820	20, 808	10, 751	335	(2)
News Pulp & Paper Co. (Ltd.)	(3)	(3)	(2)	(3)	(3)	(2)
Bathurst Co. (Ltd.)	14, 548	9, 800	18, 802	20, 624	19, 679	19, 495
Total	1, 939, 459	2, 257, 990	1, 968, 003	1, 778, 212	1, 422, 105	1, 251, 506

[1] 3 months, estimated. [2] Mill not operating. [3] No figures available.

It will be noted that of the 22 companies which the reports show were operating in 1928, only 14 were operating in 1924. It will also be noted that the production by the companies reporting increased from about 1,252,000 in 1924 to 2,258,000 tons in 1928, an increase of more than 80 per cent. The rapid increase in production in Canada has been due principally to the construction of new mills. The Port Alfred Pulp & Paper Co. and the Wayagamack Pulp & Paper Co. both began operating in 1926, the Thunder Bay Paper Co. in 1927. The Anglo-Canadian Pulp & Paper Mills (Ltd.), the Lake St. John Power & Paper Co. (Ltd.), and Spruce Falls Power & Paper Co. (Ltd.), all began operating in 1928.

Section 5. Combined production of United States and Canada.

For several years the principal source of newsprint paper for the publishers of the United States was the domestic manufacturers who, in addition to using the forests of this country for their supply of pulp, imported considerable groundwood pulp from Canada for use in their mills. The increasing demand for newsprint paper was met by a rapid depletion of the forests coupled with increase in the importation of pulpwood and groundwood pulp from Canada. With the vast pulpwood forests and the water-power resources of Canada the natural development of the industry was to shift the production of newsprint paper from the United States to Canada. The result is that the dependable source of paper supply for our publishers is rapidly shifting from the domestic to the Canadian mills. The United States newspapers consume practically all of the newsprint production of the United States and 80 to 90 per cent of the production of Canada. This situation accounts for a common interest in the combined production of the two countries. The table presented here shows the total newsprint production of the United States and Canada with the percentage of the total produced by each annually for the years 1913 to 1929.

TABLE 8.—*Production of newsprint paper by United States and Canada with percentage of total produced by each country annually, 1913–1929*

	United States		Canada		Total (tons)
	Tons	Per cent	Tons	Per cent	
1913	1, 305, 000	79	350, 000	21	1, 655, 000
1914	1, 313, 000	76	415, 000	24	1, 728, 000
1915	1, 239, 000	72	489, 000	28	1, 728, 000
1916	1, 315, 000	68	608, 000	32	1, 923, 000
1917	1, 359, 000	66	686, 000	34	2, 045, 000
1918	1, 260, 000	63	735, 000	37	1, 995, 000
1919	1, 375, 000	63	803, 000	37	2, 178, 000
1920	1, 511, 968	63	875, 170	37	2, 387, 138
1921	1, 225, 235	60	808, 066	40	2, 033, 301
1922	1, 447, 688	57	1, 080, 333	43	2, 528, 021
1923	1, 485, 000	54	1, 266, 232	46	2, 751, 232
1924	1, 481, 425	52	1, 352, 994	48	2, 834, 419
1925	1, 530, 318	50	1, 522, 217	50	3, 052, 535
1926	1, 686, 695	47	1, 881, 737	53	3, 568, 432
1927	1, 485, 495	42	2, 086, 949	58	3, 572, 444
1928	1, 414, 952	37	2, 381, 102	63	3, 796, 054
1929	1, 392, 276	34	2, 728, 827	66	4, 121, 103

During 1913 the domestic production was approximately four-fifths of the combined production of the two countries. The percentage of the total produced by each country has gradually shifted, Canada producing a greater proportion each succeeding year. By 1925 each country had approximately 50 per cent of the total. During 1929 the relative position of the two countries in the industry had so shifted that the United States manufactured only 34 per cent, while Canada manufactured 66 per cent of the newsprint paper produced by the two countries.

The percentage of the Canadian production consumed by the newspaper publishers of the United States is indicated by the following figures:

TABLE 9.—*Percentage of newsprint paper produced in Canada and exported to United States, 1921–1929*

	Production (tons)	Exports to United States (tons)	Percentage		Production (tons)	Exports to United States (tons)	Percentag
1921	808, 066	656, 680	81. 3	1927	2, 086, 949	1, 775, 752	85. 1
1922	1, 080, 333	896, 114	82. 9	1928	2, 381, 102	1, 926, 323	80. 9
1923	1, 266, 232	1, 108, 739	87. 6	1929	2, 728, 827	2, 193, 531	80. 4
1924	1, 352, 994	1, 201, 061	88. 8				
1925	1, 522, 217	1, 295, 314	85. 1				
1926	1, 881, 737	1, 656, 859	88. 0	Average (9 years)			84. 1

From the above figures it will be noted that the increase in tonnage exported to the United States has kept pace with the increase in production in Canada since 1921. The drop in the percentage of exports to the United States since 1926 is due largely to the development of the newsprint industry in Newfoundland, which during 1928 exported nearly 50 per cent of its production to publishers in the United States.

The Newsprint Institute of Canada organized in 1929 to control the output and price of newsprint paper (see p. 36) controls about 70 per cent of the total production of Canada. The companies con-

trolled by the institute, their total production during the first nine months of 1929, and their shipments to the United States during the same period are shown here:

TABLE 10.—*Percentage of newsprint paper produced by certain companies in Canada and shipped to publishers in United States, 1929 (nine months)*

	Production (tons)	Shipments (tons)	Per cent
Abitibi Power & Paper Co.	344,261	306,994	89.2
Canada Power & Paper Corporation	224,729	165,711	73.7
Price Bros. & Co. (Ltd.)	141,603	69,389	49
Minnesota & Ontario Paper Co.:			
Fort Frances mill	34,544	39,448	114.2
Kenora mill	48,253	45,430	94.3
Great Lakes mill	35,211	34,950	99.8
Port Alfred Pulp & Paper Co. (Ltd.)	81,820	53,003	64.2
St. Lawrence Paper Mills (Ltd.)	71,624	66,754	93.6
Anglo-Canadian Pulp & Paper Mills	88,201	51,709	58.7
Donnacona Paper Co. (Ltd.)	52,774	52,072	98.1
Lake St. John Power & Paper Co. (Ltd.)	46,004	46,007	100
Wayagamack Pulp & Paper Co. (Ltd.)	29,642	26,795	90.4
Thunder Bay Paper Co. (Ltd.)	47,889	45,427	94.9
J. R. Booth (Ltd.)	30,981	23,906	77.2
Brompton Pulp & Paper Co. (Ltd.)	42,991	39,129	91
E. B. Eddy Co. (Ltd.)	23,431	16,080	68.6
Beaver Wood Fibre Co. (Ltd.)	17,372	5,895	33.9
Bathurst Co. (Ltd.)	14,548	9,930	68.3
	1,375,878	1,098,629	79.8

The above statement covers only the companies controlled by the Newsprint Institute of Canada and does not include the Canadian International Paper Co., a subsidiary of the International Paper Co., practically all of the production of which is shipped to the United States. It does not include the Ontario Paper Co. (Ltd.), all of the production of which is shipped to the United States, nor the Spruce Falls Power & Paper Co. (Ltd.), all of the production of which is exported to the United States.

Section 6. Imports and exports of newsprint paper.

Imports.—For a great many years the United States was self-supporting in the matter of newsprint paper. In 1901 the imports amounted to less than $1,000 and in 1906 the value of newsprint imports was only about $65,000. (F. T. C. Report on Newsprint Paper Industry, 1917.) Since 1906 our imports of newsprint have increased rapidly and in 1916 the United States was importing approximately 27 per cent of its total consumption. The total imports for the United States from 1921 to 1929, inclusive, are:

TABLE 11.—*Imports of newsprint paper into United States, 1921–1929*

Year	Canada	Newfoundland	Sweden	Finland	Other countries	Total
1921	656,680	----------	48,932	22,661	63,774	792,047
1922	896,114	----------	51,812	26,205	54,871	1,029,002
1923	1,108,739	----------	64,570	41,782	93,917	1,309,008
1924	1,201,061	3,797	60,827	35,639	59,337	1,360,661
1925	1,295,314	20,077	65,518	21,683	44,713	1,447,305
1926	1,656,859	93,890	47,151	34,289	20,227	1,852,416
1927	1,775,752	89,251	67,865	29,526	24,669	1,987,063
1928	1,926,323	114,172	55,729	40,239	20,338	2,156,801
1929	2,193,531	130,996	50,717	32,293	13,363	2,420,900

The principal foreign source of our supply of newsprint is the Dominion of Canada. Sweden and Finland also have been sources of a steady supply for a substantial quantity of paper. The group of "Other countries" includes Germany, which during 1923 supplied our papers with over 52,000 tons of newsprint. By 1927, our imports from Germany had dropped to approximately 7,000 tons. The group also includes Norway, from which we imported about 35,000 tons in 1924, but which contributed only a little over 3,000 tons in 1929.

Canada's rapid progress as a factor in our newsprint situation is illustrated by the increase in the proportion of our total consumption which it has supplied. In 1906, Canada supplied less than 1 per cent of the newsprint paper used in the United States. In 1909, it supplied less than 4 per cent. By 1916, Canada was supplying approximately 25 per cent of our total newsprint paper requirements. (F. T. C. Report on Newsprint Paper Industry, 1917.) The shift in the source of supply of newsprint to publishers in the United States is discussed on page 22. Canada's proportion of the estimated quantity of newsprint paper consumed in the United States, computed from figures published by the News Print Service Bureau, is shown in the following table:

TABLE 12.—*Percentage of newsprint paper consumed in United States imported from Canada, 1921–1929*

Year	Estimated newsprint consumed (tons)	Imported from Canada (tons)	Per cent imported	Year	Estimated newsprint consumed (tons)	Imported from Canada (tons)	Per cent imported
1921	2,000,000	656,680	32.8	1926	3,516,000	1,656,859	47.1
1922	2,451,000	896,114	36.6	1927	3,458,000	1,775,752	51.4
1923	2,778,000	1,108,739	39.9	1928	3,561,000	1,926,323	54.1
1924	2,821,000	1,201,061	42.6	1929	3,794,000	2,193,531	57.8
1925	2,955,000	1,295,314	43.8				

Imports from Newfoundland, which is rapidly becoming an important factor in the newsprint industry, began in 1924. During 1924 Newfoundland supplied the United States publishers with only 3,797 tons, which increased by 1929 to 130,996 tons. There are two newsprint paper mills in Newfoundland. One located at Grand Falls, owned and operated by the Anglo-Newfoundland Development Co. (Ltd.), controlled by Viscount Rothermere interests and operated primarily to supply the London Daily Mail and Daily Mirror (Lockwood's Directory, 1923, p. 720). The other mill is located at Corner Brook, owned by the International Power & Paper Co. of Newfoundland (Ltd.), a subsidiary of the International Paper Co. It is understood that practically all of the production of the Corner Brook mill is shipped to the United States to supply the customers of the International Paper Co.

Exports.—There was a time when the United exported a considerable quantity of newsprint paper, but for the past several years our exports have been insignificant compared with the total production. Beginning with 1920 the United States mills have exported the following quantities of newsprint annually:

TABLE 13.—*Exports of newsprint paper by United States, 1920–1929*

	Tons		Tons
1920	49,000	1925	22,739
1921	17,000	1926	19,321
1922	26,000	1927	12,412
1923	16,000	1928	11,530
1924	17,000	1929	18,696

Based on total production figures of the United States as shown on page 23, the exports for 1920 amounted to about 3 per cent of the total production. During 1927 and 1928 only four-fifths of 1 per cent was exported, and during 1929 about one and one-fifth per cent. There are a large number of medium sized daily papers in the United States, any one of which will use as much or more newsprint paper than is exported annually.

CHAPTER III

SALES AND PRICES OF NEWSPRINT PAPER

Section 1. Manufacturers' sales.

For a number of years newsprint paper manufacturers have sold practically all of their paper before it was produced. The mills do not usually have facilities for storing much paper and must of necessity have orders to ship the paper as manufactured. To this end they contract either with publishers or jobbers for practically all of the paper produced. A small quantity is sold on the open market to both publishers and jobbers, orders for which are furnished in advance of production.

Publishers whose newsprint requirements during the year are sufficient to warrant carload purchases have generally entered into contracts which cover periods of from 1 to 10 years. These contracts cover the requirements of the publisher giving an estimate of the quantity to be purchased. The price is usually stated for one year only, and the price for each succeeding year is to be announced by the manufacturer in November or December of the preceding year. The announcements are made in the form of riders to be signed by both the seller and the buyer and attached to, and made a part of, the contract. The class of publishers who purchase newsprint direct from the manufacturer on a carload contract basis are known as carload contract customers. A few publishers whose newsprint requirements will not permit them to order paper in carload lots nevertheless contract with manufacturers for their supply. These small publishers are known to the manufacturers as L. C. L. contract customers. In some instances contracts have been made where the entire annual requirements of paper will not exceed 2 tons. The less than carload lot customer, however, pays a higher price than the carload customer (see p. 32). In some instances publishers who have no contracts for their requirements purchase newsprint direct from the manufacturer, and are known as transient or open market customers.

Most publishers buying direct from the mills use newsprint paper in rolls. However, a small number of publishers using sheet paper also purchase direct from the mills. Manufacturers charge a fixed differential of $5 per ton for sheet paper over the price of rolls.

Paper merchants or jobbers purchase paper from manufacturers, usually under contract, first, to fill their contracts with publishers, and second, for stock to supply their open-market customers. They sometimes have contracts for a definite quantity and sometimes make open-market purchases of paper as needed.

The figures in the following tabular statement were compiled from reports received from manufacturers having mills located in the United States and show the quantity of newsprint paper sold annually by the manufacturers during 1924–1928; first, on contracts to

publishers; second, on contracts to jobbers; and third, on the open market to publishers and jobbers. The percentage of the total sold, by each classification, is also shown:

TABLE 14.—*Newsprint paper sold by manufacturers on contract and in the open market, 1924–1928*

Contract to—	1924 (tons)	Per cent	1925 (tons)	Per cent	1926 (tons)	Per cent	1927 (tons)	Per cent	1928 (tons)	Per cent
Publishers	979, 354	78	914, 623	75	1, 141, 433	77	1, 147, 599	82	1, 263, 183	77
Jobbers	131, 177	10	146, 583	12	144, 844	10	146, 699	10	171, 986	10
Open market to publishers and jobbers	147, 077	12	161, 548	13	189, 054	13	113, 916	8	206, 436	13
Total	1, 257, 608	100	1, 222, 754	100	1, 475, 331	100	1, 408, 214	100	1, 641, 605	100

While the above figures represent sales by United States manufacturers, they include paper produced in Canada by subsidiaries of some of the United States companies. These figures show that from 75 to 82 per cent of the newsprint production is sold by the manufacturers on contracts direct to the publishers, while only about 10 per cent is sold on contracts to jobbers.

During 1929 the newsprint paper manufacturers of the United States had contracts outstanding with publishers and jobbers to sell more than 2,000,000 tons of paper. At the rate of production for the first 10 months their domestic mills would not produce more than 1,400,000 tons of this paper. To meet these contracts alone the domestic manufacturers had to rely upon the foreign mills of their subsidiary companies and the purchase of foreign paper. The 2,000,000 tons under contract constituted only about 54 per cent of the estimated consumption by the United States publishers during 1929.

The following table shows the number of contracts and the tonnage involved by each of the newsprint manufacturers with mills located in the United States:

TABLE 15.—*Newsprint paper sold under contracts for 1929 delivery by United States manufacturers*

Manufacturer	To publishers		Rolls				Sheets				Total	
			Mill shipments to publishers through jobbers		To jobbers' stock		To publishers		To jobbers			
	Number	Tonnage	Number	Tonnage	Number	Tonnage	Number	Tonnage	Number	Tonnage	Number	Tonnage
Great Northern Paper Co.	101	314, 125			2	4, 000					103	318, 125
International Paper Co.	454	720, 459			4	364	53	4, 419	14	4, 211	525	729, 453
Crown Zellerbach Corporation	134	223, 914	118	28, 372	4	657					147	252, 933
Minnesota & Ontario Paper Co.	23	164, 060			1	2, 700					135	166, 760
Consolidated Water Power & Paper Co.	1	18, 744	3	3, 960	1	300					27	23, 027
St. Croix Paper Co.	30	40, 000	6	13, 600							7	53, 600
Finch, Pruyn & Co. (Inc.)	19	32, 803			5	1, 245			4	1, 135	39	35, 183
St. Regis Paper Co.	16	24, 535									16	24, 535
Peavey Paper Co.	12	19, 687	22	12, 267	2	695					36	32, 599
Escanaba Paper Co.	2	11, 900	(2)	2 20, 530							2	2 32, 730
Cushing Paper Co.	4	16, 500	8	24, 050							12	41, 550
Inland Empire Paper Co.	58	20, 699			1	120					59	20, 819
Wisconsin River Paper & Pulp Co.	1	27, 000									1	27, 000
Blandin Paper Co.	8	26, 460									8	26, 460
Manistique Pulp & Paper Co.	3	19, 400									3	19, 400
Nekoosa Paper Co.	2	17, 380	6	3, 975							8	21, 355
Gould Paper Co.	1	2 25, 000									1	25, 000
Hawley Pulp & Paper Co.	4	2, 330	11	15, 650	1	500					16	18, 480
Northwest Paper Co.			2 45	2 36, 451	3	490	8	269			53	36, 700
Gilman Paper Co.	10	7, 990					1	2 650			14	9, 120
Great Western Paper Co.	10	27, 330			1	125					10	27, 330
Grandfather Falls Co.	1	3, 000									2	3, 125
Manistee Paper Co. (no contracts)	18	8, 730									18	8, 730
Watab Paper Co. (no contracts)												
Hennepin Paper Co. (not operating in 1929)	2	4, 800									2	4, 800
Sherman Paper Co.			1	3, 000							1	3, 000
Oswego Falls Corporation (no contracts)												
Dells Paper & Pulp Co (no contracts)												
Cliff Paper Co. (no contracts)												
Combined Locks Paper Co.	1	1, 200									1	1, 200
Columbia River Paper Mills (no contracts)												
Total	922	1, 789, 029	220	163, 145	24	11, 366	62	5, 338	18	5, 346	1, 246	1, 954, 224

1 Customers of G. H. Mead Co.; number not available. 2 Estimated. 3 Through St. Louis branch only, representing 5,534 tons.

From the above tabulation it will be seen that 922 publishers in the United States, consuming 1,769,029 tons of roll newsprint paper, had contracts direct with domestic manufacturers for their requirements of paper. All of the domestic mills could not fill these contracts. These same manufacturers were obligated through acceptance of jobbers' contracts to supply by direct mill shipments to 220 publishers, an additional 163,145 tons of roll newsprint. They were also under contract to supply sheet newsprint to 62 small publishers to the extent of 5,338 tons. These manufacturers were also under contract with jobbers or merchants to supply them with paper to resell from stock to the extent of 11,366 tons of roll and 5,346 tons of sheet newsprint.

To summarize the above, domestic manufacturers were under contract during 1929 to supply 1,138 publishers with 1,932,174 tons of roll paper and 62 small publishers with 5,338 tons of sheet newsprint paper.

Complete information on Canadian manufacturers' contract sales could not be obtained because of their foreign locations. However, reports direct from publishers and domestic mill agents and jobbers indicate that 209 publishers of 237 newspapers, including two chain owners, had contracts with Canadian manufacturers for the purchase of newsprint paper to the extent of 1,270,567 tons during 1929. Practically all of this paper was purchased at the regular delivered contract price for paper in the zone in which the delivery point was located.

Combining the contract customers of United States manufacturers with those of the Canadian manufacturers, at least 1,437 newspapers in the United States were supplied with 3,208,079 tons of newsprint paper by shipment direct from the mills of the United States and Canada during 1929. This quantity was equivalent to approximately 88 per cent of the estimated newsprint paper consumed in the United States during 1929.

Section 2. Manufacturers' prices.

The price of newsprint paper reached the highest point in January, 1921, when the f. o. b. mill contract price was $130 per ton. At that time it was the policy of manufacturers to make prices effective for three months only. The increased prices which had been mounting since the beginning of 1917 had stimulated production and led to construction of new mills as well as increased capacity of existing mills. On the other hand, consumption of newsprint dropped sharply, forcing mills to curtail production. Both the United States and Canada produced less paper in 1921 than they had produced in 1920. As a result the mill contract price began to decline. Each subsequent three months' period saw a decided drop until on January 1, 1922, the mill price was $70 per ton.

The last general increase in the contract price of newsprint paper was made the latter part of 1922 and the first of 1923, when it was increased from $70 to $75 per ton, which was the prevailing price until June 30, 1924.

Mill contract price.—The following figures furnished by the Canadian newsprint manufacturers as their f. o. b. mill contract price to United States publishers and by the Minnesota & Ontario Paper Co. as its f. o. b. mill contract price indicate the prices in effect from January 1, 1921, to December 31, 1923;

TABLE 16.—*Manufacturers' f. o. b. mill contract prices of newsprint paper carload shipments, 1921–1923*

Dates	Canadian manufacturers per ton	Minnesota & Ontario Paper Co. per ton	Dates	Canadian manufacturers per ton	Minnesota & Ontario Paper Co. per ton
Jan. 1, 1921	$130	$130	Jan. 1, 1922	$70	$70
Apr. 1, 1921	110	113	Oct. 1, 1922	70	75
July 1, 1921	95	98	Jan. 1, 1923	75	75
Oct. 1, 1921	80	83	July 1, 1923	73	75

The prices listed under Canadian manufacturers were furnished by a New York attorney who has been counsel for the leading newsprint manufacturers of Canada for a number of years. During most of the period covered the Canadian prices were slightly lower than those of the United States mills. During this period the source of paper supply for United States publishers was shifting rapidly from the United States to Canadian mills.

The Minnesota & Ontario Paper Co. entered into a number of contracts with publishers on a form known as its 10-year "Uniform Sales Agreement, 1921–1930." The provision of these contracts, as modified by subsequent riders governing prices, as quoted by Mr. William M. Taylor, general manager of the Enid Publishing Co., in a letter to the commission dated January 9, 1930, follows:

> The price f. o. b. cars at mill, on gross weight of rolls, including paper and wrappers but excluding cores, shall be the "average eastern price," determined for each period as hereinafter provided (six months), plus 40 cents per 100 pounds during the years 1921 and 1922, and such "average eastern price" plus 15 cents per 100 pounds during the years 1923 to 1930, both inclusive. The "average eastern price" for each six months of the years 1921, 1922, and 1923 shall be determined by ascertaining the announced standard contract price to publishers in the United States, for newsprint paper sold under regular customers' contracts, effective in January and July of the half year in question, of each of the following: International Paper Co.; the Geo. H. Mead Co., for paper from the Sault Ste. Marie mill of the Spanish River Pulp & Paper Co. (Ltd.), (in the event the G. H. Mead Co. fails to sell paper in the United States from said mill, then the Spanish River Pulp & Paper Co. (Ltd.), for paper therefrom); and the Canadian Export Co. (Ltd.), for paper from the East Angus mill of the Brompton Pulp & Paper Co. (Ltd.), (in the event the Canadian Export Co. (Ltd.), fails to sell paper in the United States from said mill, then the Brompton Pulp & Paper Co. (Ltd.), for paper therefrom); and taking the average thereof by adding such three prices together and dividing the sum thereof by three. The "average eastern price" for each of the years remaining, 1924 to 1930, both inclusive, shall be determined by ascertaining the announced standard contract price to publishers in the United States, for newsprint paper sold under regular customers' contracts, effective in January of the year in question, of each of the foregoing (three) companies or mills and likewise taking the average thereof by adding such three prices together and dividing the sum thereof by three.

Following the terms of these contracts, the price of the Minnesota & Ontario Paper Co. should reflect the changes in the contract price of both United States and Canadian manufacturers.

Since January 1, 1924, there have been six distinct reductions in the mill price of newsprint. The dates of these price changes by the leading newsprint manufacturers of the United States are shown in the following statement:

TABLE 17.—*Manufacturers contract prices for roll newsprint in car lots f. o. b. mills, 1924–1928, with dates of changes*

Section and manufacturer	Price Jan. 1, 1924	Price July 1, 1924	Price Jan. 1, 1925	Price Jan. 1, 1926	Price Jan. 1, 1928	Price July 1, 1928
EASTERN MILLS						
International Paper Co	$75	$73	$70	$65	[1] $65	[2] $65
Great Northern Paper Co	75	70	70	65	[1] 63	[1] 60
Minnesota & Ontario Paper Co	75	73	70	65	[1] 65	62
Consolidated Water Power & Paper Co	75	73	70	65	65	63
St. Croix Paper Co	75	73	70	65	63	60
Finch Pruyn & Co	75	73	70	65	[1] 65	[1] 63
St. Regis Paper Co	75	73	70	65	65	60
Pejepscot Paper Co	70	70	70	65	63	[1] 66
Escanaba Paper Co	75	73	70	65	65	62
Algonquin Paper Corporation	75	75	70	65	65	62
Wisconsin River Paper & Pulp Co	75	70	70	65	65	63
Blandin Paper Co	75	73	70	[3] 65	65	62
Manistique Pulp & Paper Co	75	73	70	65	65	65
Northwest Paper Co	75	75	75	70	70	65
Gilman Paper Co	75	73	70	65	65	62
Great Western Paper Co	75	73	70	65	65	62
Grandfather Falls Co	75	73	70	65	65	63
Watab Paper Co	75	75	70	70	65	65
Hennepin Paper Co	75	70	70	65	65	62
PACIFIC COAST MILLS						
Crown Willamette Paper Co	80	75	75	70	65	65
Hawley Paper Products Co	75	75	75	70	65	65
Columbia River Paper Mills				70	70	70
CANADIAN MILLS						
Leading Canadian Newsprint Manufacturers [4]	73	73	70	65	65	62
Mead (G. H.) Co. (Inc.), representing Abitibi Power & Paper Co	75	73	70	65	[5] 65	[6] 65

[1] Less certain freight allowances. (See p. 36.)
[2] "Customers who signed 5-year contract (1929–1933) received reduction equivalent to 15 cents per hundredweight ($3 per ton) for last half of 1928."
[3] Price had been reduced on Oct. 1, 1925, to $67.50.
[4] Prices reported by their attorney.
[5] Less adjustment of $4.95 per ton for first 4 months. Price for May and June, 1928, was $65 f. o. b. mill.
[6] Less 15 cents per hundredweight discount.

Manufacturers' less than carload contract prices.—The prices shown in the above tables (16 and 17) are f. o. b. mill contract prices for roll newsprint paper in carload shipments. The International Paper Co. furnished the commission with prices for less than carload newsprint sales for rolls and sheets from January 1, 1924, to 1929.

TABLE 18.—*International Paper Co. less than carload lots contract prices f. o. b. mills, 1924–1929*

Date	Rolls	Sheets	Date	Rolls	Sheets
	Per cwt.	*Per cwt.*	Jan. 1, 1928:	*Per cwt.*	*Per cwt.*
Jan. 1, 1924	$3.90	[1] $4.40 [2] 4.15	5 tons or over	$3.35	$3.60
			2 to 5 tons	3.45	3.70
July 1, 1924	3.80	[1] 4.30 [2] 4.05	1 to 2 tons	3.70	3.95
			Less than 1 ton	3.95	4.20
Jan. 1, 1925	3.65	3.90	July 1, 1928:		
Jan. 1, 1926:			5 tons or over	3.25	3.50
5 tons or over	3.40	3.65	2 to 5 tons	3.35	3.60
2 to 5 tons	3.65	3.90	1 to 2 tons	3.60	3.85
Less than 2 tons	4.00	4.25	Less than 1 ton	3.85	4.10
Jan. 1, 1927:			Jan. 1, 1929:		
5 tons or over	3.40	3.65	5 tons or over	3.05	3.30
2 to 5 tons	3.50	3.75	2 to 5 tons	3.15	3.40
1 to 2 tons	3.75	4.00	1 to 2 tons	3.40	3.65
Less than 1 ton	4.00	4.25	Less than 1 ton	3.65	3.90

[1] Price to small consumers. [2] Price to merchants.

During 1924 and 1925 the price for less than carload sales was the same regardless of the quantity purchased, and for roll paper was only 15 cents per hundredweight, or $3 per ton higher than the carload price. The differential for sheet paper during 1924 was 50 cents per hundredweight or $10 per ton on sales to publishers, while it was only 25 cents per hundredweight or $5 per ton on sales to jobbers. Beginning with January 1, 1925, the differential for sheet paper was 25 cents per hundredweight or $5 per ton to all customers. After January 1, 1926, the prices of less than carload shipments were based on quantity shipments as indicated in the above table. From January 1, 1926, to January 1, 1928, the less than carload prices for shipments of 5 tons or more was 15 cents per hundredweight or $3 above the carload price. No comparison of the less than carload contract with carload contract sales can be made for 1928 when a part of the freight to destination was allowed the carload purchaser, or for 1929 when full freight was allowed the carload customer. No freight has been allowed on less than carload shipments. However, reductions in less than carload contract prices were made January 1 and July 1, 1928, and on January 1, 1929. It is understood that 25 cents per hundredweight or $5 per ton is the differential in the price of sheet over the price of roll newsprint by all manufacturers.

Additional charges are made on sheet paper for frames, 15 cents per hundredweight for framing one side or 25 cents per hundredweight for two sides.

On December 15, 1925, the International Paper Co. sent a letter (general letters No. 316) to all salesmen announcing differentials on less than carload shipments "applying to both contract and transient business in all newsprint grades." The letter in part follows:

Effective at once the following minimum differentials will apply for less than carload shipments:

A. Lots of 5 tons or more, for one destination, 15 cents per hundredweight extra.

B. Lots of less than 5 but not less than 2 tons for 1 destination, 40 cents per hundredweight extra.

C. Lots of less than 2 tons for one destination, 75 cents per hundredweight extra.

The above ruling is subject to the following exceptions:

D. Merchants under carload lot tonnage contracts for 100 tons or more per year, charge a minimum differential of 15 cents per hundredweight for all less than carload lots.

E. Trial lots in less than carload quantities where future tonnage is involved, are of course exempt from this ruling.

Please read the above carefully as it is intended to make the above a permanent part of our sales policy, subject to change only for exceptional reasons after receipt of approval from this office. See that all salesmen are given a copy hereof.

This letter was supplemented by another (general letter No. 323) on December 30, 1925, signed by Mr. J. L. Fearing, vice president, and reading in part:

One or two people have asked me the following question:

"If we have a customer who is buying roll paper from us in carload lots under contract and he asks us to put a small quantity of sheet paper into a car now and then, what will be the differential?"

My reply is that this is a carload shipment and that General Letter No. 316 referred to less than carload shipments. The differential therefore, to be charged to a roll-contract customer who asks for a small quantity of

sheets would be 15 cents above our regular sheet differential; in other words, 40 cents per hundredweight above the roll price.

The reduction of July 1, 1924.—The reduction of July 1, 1924, was announced by the International Paper Co. in a communication to its customers dated June 14, 1924, and reading, in part—

Our contract with you provides that unless we send you written notice on or before May 20, 1924, making a new price subject to your acceptance, the price prevailing for the first six months shall continue in effect until the end of the year. We now voluntarily advise you that paper delivered under your contract on and after July 1, 1924, will be billed to you at a reduction of 10 cents per 100 pounds.

Following the announcement by the International, the Minnesota & Ontario Paper Co., in accordance with its "Uniform Sales Agreement, 1921–1930," sent a printed rider to its customers dated July 1, 1924, reading in part—

Whereas the "average eastern price," effective in January, 1924, under paragraph 2 of the uniform sales agreement, 1921–1930, between the parties hereto, as amended by former riders or memorandums, was $3.75 per 100 pounds; and whereas business conditions continue unsettled and the seller, upon application of the purchaser, is willing to decrease the price to $3.65 per 100 pounds, f. o. b. cars at mill, for all paper deliverable and delivered thereunder during the last half of the year 1924, said price to govern shipments from International Falls, Minn., Fort Frances, Ontario, and Kenora, Ontario, in accordance with the provisions of paragraph 1 of said uniform sales agreement, notwithstanding that the price was, in accordance with the provisions of section 2 of the uniform sales agreement, 1921–1930, between the parties hereto, by general rider No. 9, executed November 15, 1923, fixed at $3.75 per 100 pounds for the entire year 1924, all upon the express understanding, however, that the foregoing shall not in any manner whatsoever affect, alter, or vary, any other terms or provisions of said uniform sales agreement.

Now, therefore, in consideration of the sum of $1 by each to the other in hand paid and other good and valuable considerations, the seller agrees to invoice all paper deliverable and delivered under said uniform sales agreement during the months of July, August, September, October, November, and December, 1924, at the price of $3.65 per 100 pounds, as stated in paragraph 1 hereof; provided, however, that this decrease shall not apply to any paper which was deliverable (delivery being deferred) during the months of January, February, March, April, May, and June of said year 1924.

This reduced the mill price from $75 to $73 per ton. All of the eastern, middle west, and northwest mills made similar reductions except the Algonquin Paper Corporation and the Watab Paper Co, whose prices remained at $75 per ton until January 1, 1925. A few of the manufacturers, notably the Great Northern Paper Co., the Wisconsin River Pulp & Paper Co., and the Hennepin Paper Co., made a $5 reduction instead of $3 on July 1, 1924, thus anticipating the next general reduction.

The Crown Willamette Paper Co., which, in addition to its own production, sold the output of the Washington Pulp & Paper Co., reduced its mill price from $80 to $75 per ton on July 1, 1924, thus meeting the existing price of the Hawley Pulp & Paper Co.

The general reduction on July 1, 1924, by the United States mills met a price of $73 per ton which had been made by the Canadian manufacturers on July 1, 1923.

The reduction of January 1, 1925.—The general reduction of $3 per ton, which took effect on January 1, 1925, reduced the f. o. b. mill contract price of newsprint paper to $70 per ton. The International Paper Co. announced this price in a communication to its contract customers dated October 7, 1924, using the following language:

Effective January 1, 1925, and continuing through 1925, the International Paper Co.'s price for its standard rolls news to its contract customers in the United States will be $70 per ton f. o. b. mill. We are making this announcement earlier than usual at the special request of many of our customers who wish to know their costs as far in advance as possible.

The Minnesota & Ontario Paper Co. sent a printed rider to its contract customers on November 15, 1924, making a similar reduction, and reading, in part, as follows:

Whereas the "average eastern price" effective in January, 1925, under paragraph 2 of the uniform sales agreement, 1921–1930, between the parties hereto is $3.50 per 100 pounds (being the average of the three prices of the companies and mills therein specified); and

Whereas the seller by memorandum dated September 30, 1921, General Rider No. 4–A, waived the "additional 15 cents per 100 pounds" provided in said uniform sales agreement for the year 1923 and thereafter;

Now, therefore, it is hereby convenanted and agreed that the price upon all paper deliverable under said uniform sales agreement during the year 1925 at International Falls, Minn., Fort Frances and Kenora, Ontario, shall be $3.50 per 100 pounds.

Carload contract prices reported by all of the United States manufacturers east of the Rocky Mountains agreed with the price announced by the International, except the Northwest Paper Co., which reported its contract price at $75 per ton. At the same time the Canadian mills reduced their contract prices to $70 per ton to agree with the prices of the United States mills. It will be recalled that during 1925 Canada produced almost as much newsprint paper as the United States. Prices were now more nearly uniform than they had been before. The Pacific coast mills did not make a reduction in prices during 1925, and it should be noted that their prices were $5 per ton higher than the eastern companies.

The January 1, 1926, reduction.—The building program which had started during the high price period was constantly increasing the production capacity of Canada. Newfoundland was also becoming a factor in the newsprint industry (see p. 25). Production of newsprint in the United States reached its highest figures during 1926. These conditions brought another price reduction as of January 1, 1926, in spite of the rapidly increasing consumption of newsprint paper by the United States publishers. This reduction amounted to $5 per ton thereby reducing the mill contract price to $65 per ton. The International Paper Co.'s announcement to its customers dated October 15, 1925, read:

Three dollars and twenty-five cents per hundred pounds f. o. b. mill in carload shipments, effective January 1, 1926, is hereby fixed as the price of this company for standard newsprint in rolls to its contract customers in the United States for the calendar year 1926.

The Minnesota & Ontario Paper Co. on November 23, 1925, followed with its announcement, making a similar reduction to its contract customers using a printed rider.

All of the United States mills east of the Rocky Mountains made the same reduction except the Watab Paper Co., which continued to sell at $70. The Northwest Paper Co. made the $5 reduction to $70 per ton, but was still $5 per ton above the other mills. The leading Canadian mills also followed the International Paper Co., making a $65 mill price. The Pacific coast mills made a similar reduction, bringing their mill price down to $70 per ton. The International Paper Co. continued the price it fixed for 1926 throughout 1927.

Notices to this effect were mailed to its customers on October 18, 1926, reading:

Three dollars and twenty-five cents per hundred pounds f. o. b. mill in carload shipments, effective January 1, 1927, is hereby fixed as the price of this company for standard newsprint in rolls to its contract customers in the United States for the calendar year 1927.

Prices of all other manufacturers remained the same throughout 1926 and 1927.

The January 1, 1928, price.—The beginning of 1928 saw the adoption of a new price policy by the manufacturers; that of quoting a mill price with a part of the freight to destination allowed the purchaser. This policy had its origin in negotiations started early in 1927 for 1928 contracts. During May, 1927, the leading newsprint manufacturers of Canada, confronted with the problem of marketing their ever-increasing output of paper, organized the Canadian Newsprint Co. (Ltd.) to sell their product. The common stock of this company was owned by the constituent manufacturing companies whose products it sold. The constituent companies, as shown by the American Newspaper Publishers Association Bulletin, dated February 9, 1928, were:

Laurentide Co.
Price Bros. & Co.
Port Alfred Pulp & Paper Corporation.
St. Maurice Valley Corporation.
Canada Paper Co.
St. Anne Paper Co.
Spanish River Pulp & Paper Mills.
Fort William Paper Co.
Abitibi Power & Paper Co.
Brompton Pulp & Paper Co.
Belgo-Canadian Paper Co.
Murray Bay Paper Co.
Manitoba Paper Co.
Anglo-Canadian Pulp & Paper Mills.

The Canadian Newsprint Co. (Ltd.) was closely affiliated with the Canadian Paper Sales Co. (Ltd.), organized about the same time and owned by the same interests. The same man (William N. Hurlbut) was president of both the Canadian Newsprint Co. (Ltd.) and the Canadian Paper Sales Co. (Ltd.) from the time of their organization in May, 1927, until the latter part of March, 1928. The avowed purpose for organizing the Canadian Newsprint Co. (Ltd.), was to stabilize the Canadian newsprint manufacturers' market. In this connection it controlled production, allocated the tonnage sold, and determined the prices for the constituent companies. Soon after its organization the Canadian Paper Sales Co. (Ltd.), began negotiations with the Newspaper & Magazine Paper Corporation for the sale of newsprint paper to the latter for the so-called Hearst newspapers. A tentative agreement was reached covering the sale of 250,000 tons per year over a period of 10 years. The price named in the tentative agreement is indicated by the testimony of Mr. William N. Hurlbut. Questions and answers as follows:

Q. From your recollection, can you tell us the price named in that tentative agreement?—A. I do not recall at that time the price had been fixed for 1928. My recollection is, however, that the price was substantially $69 mill, freight allowed to New York, and that price was expressed as being $65 mill plus freight in excess of $4 per ton, which would arrive at the same result.

Q. From your recollection, can you state whether or not that was the price received for the paper actually delivered during 1928?—A. In the case of shipments to Hearst?

Q. Yes.—A. The contract further provided, I think, that the Newspaper & Magazine Paper Corporation, is it?

Q. Yes; that is right.—A. Received a commission of 3 per cent, and I think Mr. Hearst received, so long as the price that I mentioned maintained, $3 per ton in consideration of certain guaranties, options, and other considerations that he gave the seller.

The price fixed in the agreement was $3.25 per hundredweight ($65 per ton) plus a base rate per hundredweight in lieu of freight charges. For shipments to Boston, Mass., the rate was 15 cents per hundredweight, equivalent to a delivered price of $68 per ton. For shipments to New York, Chicago, Baltimore, Washington, Milwaukee, Syracuse, Rochester, Albany, and Pittsburgh, 20 cents per hundredweight, equivalent to a delivered price of $69 per ton at these points. The base rate for Kansas City was 25 cents per hundredweight, a delivered price of $70 per ton, and at San Antonio, Tex., 30 cents per hundredweight, a delivered price of $71 per ton.

During March, 1928, the personnel of the Canadian Newsprint Co. (Ltd.) changed and the newly elected officers refused to execute the contract and so notified the Newspaper & Magazine Paper Corporation on April 21, 1928. However, deliveries were made pursuant to this contract during the first four months (January–April), 1928, at the prices named therein. The Newspaper & Magazine Paper Corporation immediately severed relations with the Canadian Newsprint Co. (Ltd.) and began negotiating with its constituents individually. Shortly thereafter contracts were made with the Anglo-Canadian Pulp & Paper Mills (Ltd.) and the Brompton Pulp & Paper Co. (Ltd.) for the purchase of newsprint paper at "a price approximately the same as the one named in the unexecuted contract" with the Canadian Paper Sales Co.

The policy of absorbing a part of the freight charges by the manufacturers was also adopted by the International Paper Co. in fixing its contract prices for 1928. For convenience in applying the freight absorption plan, the United States east of the Mississippi River was divided into zones on the basis of the freight charges to be borne by the purchasers. There were four zones which will be designated by numbers for the purpose of this discussion.

Zone No. 1 comprised the city of Boston only. In this zone the International Paper Co. absorbed all freight charges above $3 per ton.

Zone No. 2 covered the New England States (except Boston), New York, Pennsylvania, New Jersey, Maryland, Delaware, District of Columbia, Ohio, Michigan (except the northern portion), Indiana, a small section of eastern Illinois, which included Chicago, and a small section of West Virginia and Kentucky skirting their northern boundaries. In this zone the seller absorbed all freight charges above $4 per ton.

Zone No. 3 included northern Michigan, Illinois (except the eastern section), Virginia and West Virginia (except a small section along the northern boundary), and North Carolina. The seller absorbed all freight charges to destinations in this zone above $5 per ton.

Finally Zone No. 4, covering the territory in which the seller absorbed all freight above $6 per ton, included South Carolina, Georgia, Alabama, Florida, Mississippi, Louisiana, Tennessee, and Kentucky (except a portion along the northern boundary).

Purchasers paid that portion of the freight rates applying to the zones wherein their locations had been placed. The International Paper Co. absorbed the balance, the amount of which depended upon the mill from which shipments were made.

The following table listing cities and freight rates is representative of the respective zones created by this company. The amounts of freight paid by the purchasers and also that absorbed by the manufacturer are shown. The freight rates and amounts absorbed by the International Paper Co. are not definite to any destination because the paper may have been shipped from any one or all of this company's five mills, each having a different freight rate:

TABLE 19.—*Amount of freight charges absorbed by International Paper Co. to selected cities, 1928*

Zone	Destination	Freight rates per ton	Paid by purchaser	Absorbed by company
1	Boston, Mass	$4.10–$6.80	$3.00	$1.10–$3.80
2	Hartford, Conn	4.60–6.80	4.00	.60–2.80
	Albany, N. Y	4.00–6.70	4.00	2.70
	New York, N. Y	4.60–6.80	4.00	.60–2.80
	Washington, D. C	6.10–8.00	4.00	2.10–4.00
	Reading, Pa	5.70–7.60	4.00	1.70–3.60
	Scranton, Pa	4.00–6.90	4.00	2.90
	Wilmington, Del	5.70–7.60	4.00	1.70–3.60
	Cincinnati, Ohio	6.60	4.00	2.60
	Indianapolis, Ind	7.10	4.00	3.10
	Detroit, Mich	6.40	4.00	2.40
	Chicago, Ill	7.70	4.00	3.70
3	St. Louis, Mo	9.10	5.00	4.10
	Richmond, Va	6.90–9.50	5.00	1.90–4.50
	Roanoke, Va	8.30–12.40	5.00	3.30–7.40
	Raleigh, N. C	8.80–12.50	5.00	3.80–7.50
	Greenville, N. C	8.80–13.20	5.00	3.80–8.20
4	Columbia, S. C	9.50–12.70	6.00	3.50–6.70
	Jacksonville, Fla	9.40–10.40	6.00	3.40–4.40
	Atlanta, Ga	11.10–12.70	6.00	5.10–6.70
	Birmingham, Ala	11.20–12.70	6.00	5.20–6.70
	New Orleans, La	9.60–10.40	6.00	3.60–4.40
	Paducah, Ky	9.40	6.00	3.40

The International Paper Co. sent announcements to its contract customers advising them of the adoption of this policy in November, 1927. The announcement going to customers in New York City read as follows:

We beg to announce that the price of standard newsprint paper for the year 1928 has been fixed at $3.25 per hundredweight f. o. b. mill. In order to equalize freight rates, we agree during 1928 to absorb all charges from whatever mill shipments are made to you in excess of $4 per ton. We are allowing like freight equalizations to our contract customers in the city of New York, and we, of course, agree that the freight charges to be borne by you, namely, $4 per ton, are not and shall not be any greater than those borne by such other contract customers.

The following rider was sent to each contract customer. The freight rate over and above the amount inserted in the blank space was to be absorbed by the International Paper Co.:

It is hereby mutually agreed between the parties hereto, as follows:

The f. o. b. mill price of the seller for shipments made during the calendar year 1928 having been fixed at $3.25 per hundred pounds, the purchaser agrees that the seller may route shipments during the calendar year 1928; and the seller, in order to equalize freight rates on carload shipments, agrees, during the calendar year 1928, to absorb all freight charges from whatever mill shipments are made in excess of ——— per ton; and the seller further agrees that freight charges borne by the purchaser shall not be greater than those borne by other contract customers of the seller in the seller's same destination district.

Executed in duplicate at No. 100 East Forty-second Street, City of New York, State of New York, this —— day of ———, 1927.

The adoption of this policy resulted in a net reduction in the cost of newsprint to publishers of amounts up to $8.20 per ton, depending upon the location of the purchaser and the mill from which shipments were made.

This policy created some confusion in the prices of other manufacturers, some of which reduced their f. o. b. mill prices immediately to meet the net price to the publishers. The Great Northern Paper Co. reduced its price on July 1, 1928, to $63 per ton f. o. b. mill, with an average freight allowance of 4 cents per hundredweight, reducing the publisher's average mill cost to $62.20 per ton. The Minnesota & Ontario Paper Co., although in its rider effective January 1, 1928, fixed the price at $3.25 per hundredweight and made no mention of freight allowance, stated in its report of price changes that—

during 1928 certain freight allowances were made which reduced the 1928 average net price to $63 per ton.

Finch, Pruyn & Co. gave its f. o. b. mill price on January 1, 1928, at $65 per ton—

with C/L freight allowed in excess of 15 cents, 20 cents, and 25 cents per 100 pounds, depending on location.

The St. Croix Paper Co. and the Pejepscot Paper Co. each reported a price of $63 f. o. b. mill.

The July 1, 1928, price.—On May 29, 1928, the International Paper Co. announced its prices for 1929. In addition to a reduction of the mill price it also announced that begining January 1, 1929, it would absorb the same amount of freight as in 1928 plus $1 per ton.

The rider referred to and inclosed with the announcement extended the contract and fixed the price definitely to all who accepted the provision of the rider to December 31, 1929. A copy of the rider follows:

It is hereby mutually agreed between the parties hereto, as follows:

The f. o. b. mill price for paper shipped in 1929 is hereby fixed at ——— per hundred pounds in carload lots. The seller will allow a discount of 15 cents per hundred pounds on the tonnage shipped during the first half of 1929, and will credit such discount in six equal installments on the invoices for paper shipped from July 1, 1928, to December 31, 1928, inclusive.

No termination of this contract shall be effective prior to December 31, 1929.

The seller will, on paper shipped from January 1, 1929, to December 31, 1929, allow the purchaser the same equalization of freight rates allowed by the seller in 1928, plus a further allowance of $1 per ton; and the equalization to be allowed by the seller during 1930 and subsequent years shall be specified by the seller in its announcement of the prices for such years. Shipments will be routed by the seller.

All the conditions of the contract except as herein modified remain in effect.

Executed in duplicate at No. 100 East Forty-second Street, city of New York, State of New York, this ——— day of ——— 1928.

The effect of accepting the above contract rider was to secure a reduction in the cost of newsprint to the purchaser of $3 per ton on July 1, 1928, and a freight rate reduction of $1 per ton on January 1, 1929. The reduction on July 1, 1928, was contingent upon the publisher accepting the rider provision applying to 1929.

The Minnesota & Ontario Paper Co., by the rider dated July 1, 1928, attached to its Uniform Sales Agreement, 1921–1930, fixed the f. o. b. mill price at $3.10 per hundredweight ($62 per ton) and made allowance for freight charges in excess of certain rates, depending on location of customers, for the entire year of 1928. The rider sent to a customer at Okmulgee, Okla., on September 17, 1928, offered to absorb the freight in excess of 55½ cents per hundredweight to this point for the entire year 1928. This rider sent to a customer at Enid, Okla., read in part:

> Whereas in price rider effective January 1, 1928, the "average eastern price" under paragraph 2 of the uniform sales agreement 1921–1930, between the parties hereto was announced as $3.25 per 100 pounds; and
>
> Whereas the seller now has information that certain freight equalizations were afterwards made applying to different localities or zones, as the case may be, effective during the year 1928; and
>
> Whereas, effective July 1, 1928, some of the companies named in the uniform sales agreement 1921–1930, have made certain concessions in price; and
>
> Whereas the seller desires to make the concessions hereinafter set forth, all upon the express understanding that the same shall not in any manner whatsoever affect, alter or vary any other terms or provisions of said uniform sales agreement;
>
> Now, therefore, in consideration of the sum of $1 by each to the other in hand paid, and other good and valuable considerations, the seller agrees to absorb all freight charges in excess of 55½ cents per hundredweight, to your city for the entire year 1928, and, effective from July 1, 1928, to December 31, 1928, to reduce its price 15 cents per 100 pounds or to $3.10 per 100 pounds, provided, however, that this latter reduction shall not apply to any paper which was deliverable (delivery being deferred) from January 1, 1928, to and including June 30, 1928.

Other manufacturers generally met the International's new price by reducing their f. o. b. mill prices $3 bringing prevailing mill prices down to $62 per ton on July 1, 1928. The St. Croix Paper Co. and the St. Regis Paper Co. reduced their mill price to $60. The Great Northern Paper Co. also reduced its mill price to $60 per ton to all contract customers who would sign at this price for the year 1929. The company wrote one of its customers at McKeesport, Pa., in part, as follows:

> We are offering all of our customers a contract for the year 1929 on a basis of 3 cents a pound f. o. b. cars at the mill and to a point like McKeesport, with a freight rate of 32 cents, we will absorb the same differential that we are taking care of this year. In other words, this means a cost to you of $3.30 for your paper f. o. b. cars McKeesport, and in consideration of your signing a new contract with us for next year on this basis we will agree to amend our present contract with you so as to give you the benefit of the 1929 price, effective as of July 1 of this year.

The 1929 price.—The announcement and rider issued by the International Paper Co. on May 29, 1928, and quoted above (p. 39) fixed that company's f. o. b. mill contract price for 1929 at $62 per ton with freight allowed in excess of $2, $3, $4, and $5 a ton, depending upon the customer's location. However, before the beginning of 1929 the Newspaper & Magazine Paper Corporation, following the collapse of the Canadian Newsprint Co. (Ltd.), abandoned its policy of negotiating with individual companies for its supply of newsprint paper and on October 10, 1928, requested manufacturers to submit written bids for 140,000 tons of newsprint paper per year for five years beginning with 1929. The International Paper Co., among other manufacturers, submitted a bid and was successful in securing a contract to

supply this quantity to the so-called Hearst papers. A written contract embodying the terms of the agreement was executed on October 29, 1928, and named prices substantially lower than those previously announced as the regular contract price for 1929. The contract provided for f. o. b. mill prices with full freight allowed the purchaser to destination. The prices named in the contract were as follows:

> Fifty-seven dollars per ton on shipments to New York, Boston, Baltimore, Washington, Detroit, Milwaukee, Chicago.
> Fifty-eight dollars per ton to Omaha, Kansas City.
> Sixty dollars per ton to Atlanta, Ga.
> Sixty-five dollars and fifty cents per ton to San Antonio, Tex.

The prices which this contract would have established were from $7 to $10 per ton lower than the prices previously announced.

The International Paper Co. sent a telegram to each of its customers on October 30, 1928, reading as follows:

> We closed yesterday a contract for a substantial tonnage of newsprint for the Hearst papers for several years at prices less than our present contract prices for next year. This transaction involves no deviation from our practice of announcing standard prices, and as soon as the necessary details can be completed we will offer substantial price reductions to all of our customers including those who have already signed their contracts for next year.

The above announcement by the International Paper Co. that it had entered into a contract with the Hearst organization at substantially lower prices than had been previously announced, created considerable speculation among manufacturers and publishers. Rumors that a $50 mill price had been established were circulated extensively. Canadian newsprint manufacturers, realizing that they would have to meet the price established by the International Paper Co., protested vigorously against the Hearst contract price being used as a basis for prices to other publishers. The matter was taken up by the Governments of the Provinces of Ontario and Quebec of the Dominion of Canada. On November 19, 1928, the Hon. Howard Ferguson, Prime Minister of Ontario, wrote a letter to the Nipigon Corporation (Ltd.), a Canadian subsidiary of the International Paper Co. outlining the efforts of the Government of Ontario to build up the paper industry of the Province, and calling attention to the chaotic condition of the newsprint market, concluded with the following statement:

> It is with great regret that the Government finds it necessary to draw your attention to the fact that you are under contract with this Province, that your contract contains a number of important covenants, that many of the companies are in arrears and default has occurred with respect to a number of the conditions and obligations provided in the contract. This condition can not be allowed to continue. I am therefore writing you on behalf of the Government to say that unless the people interested in the operation of this industry take some immediate steps to put the industry on a more satisfactory basis and improve the present situation, the Government will be compelled to give serious and immediate consideration to what action it should take under existing contracts to protect the interests of this Province, its industries, its settlers, its wage earners and its people generally. May I request that you inform me promptly what immediate action is contemplated by your company and the others engaged in the industry to rectify the present situation?

The veiled threat contained in the above message was apparently for the purpose of coercing the International Paper Co. into cooperation with the Government of Ontario and the newsprint manufacturers of the Provinces.

On November 22, 1928, the Hon. L. A. Taschereau, Prime Minister of the Province of Quebec, of the Dominion of Canada, called Mr. A. R. Graustein, president of the International Paper Co., New York City, by telephone from Montreal and requested that he, Mr. Graustein, be present at a meeting in Montreal the following day. The Prime Minister urged Mr. Graustein to attend this meeting as its purpose was to stabilize the Canadian newsprint industry. Mr. Graustein attended the meeting, which lasted six days (November 23 to November 29). During this period Mr. Graustein was told that all the Canadian manufacturers had signed an agreement, and that it was the desire of the Prime Minister that the Canadian International Paper Co., a subsidiary of the International Paper Co., also subscribe to this agreement. The agreement referred to was, in substance, an arrangement for cooperation and common action by all Canadian newsprint manufacturers in matters relating to the production, sale, and price of newsprint paper. In other words, the agreement provided for a curtailment of production to the actual quantity of paper sold and the allocation of orders received, to the various mills, on the basis of rated daily capacity. In response to a request by the commission for a copy of this agreement, Mr. George H. Montgomery, of Montreal, Canada, wrote the commission on October 23, 1929, in part as follows:

> The distribution of the business necessarily involved provisions for adjustments so that each mill would receive the same mill net for the tonnage manufactured. A short set of rules was prepared for the conduct of the industry during this period of stress, giving effect to the mandates of the premiers, which rules were approved by them and agreed to, the premiers themselves undertaking to act as arbitrators in the event of any dispute arising. A secretary was appointed to look after the necessary adjustments and this constitutes the so-called Newsprint Institute of Canada. It is not incorporated and might be termed at the most an involuntary association. No agreements of any kind were made between the manufacturers and the institute so that I am unable to furnish you with copies. As regards the rules above referred to, I would not feel free to furnish them without first communicating with the premiers. I am sure that the manufacturers, or many of them, look forward to the time when these distress conditions will be over and they will be free to conduct their respective businesses in the normal way.

Mr. Graustein stated in his testimony before the chief examiner of the Federal Trade Commission that the International Paper Co. did not subscribe to this agreement. A few days after the meeting which ended on November 29, 1928, the International Paper Co. sent telegrams to its customers dated December 5, 1928, reading as follows:

> Referring to our wire of October 30 announcing our contract for standard newsprint with the Hearst papers, we advised you that as soon as details could be worked out we would announce prices involving no deviation from our standard price policy. The compilation of the new prices for the entire territory we serve took more time than we anticipated and just as it was substantially completed we were summoned to Canada to consider a program which had been adopted to stabilize the Canadian industry. The delay which this has caused and will cause does not however involve any consideration by us of a departure from our uniform price policy and though there will be a further delay we shall communicate with you as soon as circumstances permit.

The Bowater Paper Co. (Inc.), agents for the Newfoundland Export & Shipping Co. (Ltd.), a subsidiary of the International Paper Co., sent a similar telegram to its customers.

Premier Taschereau came to New York and called a meeting of representatives of the International Paper Co. and of the Hearst organization on December 10, 1928, to discuss the matter of adjusting the price stated in the contract between the International and the Hearst organization. Mr. Graustein stated in his testimony that "Mr. Taschereau told us, in vigorous language, that the price which was specified in that October contract with Hearst must be raised. He spoke of penalties and pressure; and he was insistent in his attitude." Referring to the telegram of December 5, 1928 (quoted p. 42) Mr. Graustein stated that the Prime Minister had in his possession a copy of this telegram. The Prime Minister contended that by sending this telegram the International Paper Co. had defied him because the telegram, in effect, bound the company to give the same price to all of its customers as had been named in the Hearst contract.

Mr. David E. Town, of the Newspaper & Magazine Paper Corporation, testified before the chief examiner that Mr. Taschereau said, "You have a contract at a price that means so much in its effect upon the industry. We want to talk with you with the idea of getting you to revise that price." Mr. Town stated further that he replied, "Mr. Taschereau, we have a contract that we think is perfectly good and we are perfectly satisfied with it." Mr. Town quoted Mr. Taschereau further as saying, "Well, we are not satisfied. Something has got to be done about it."

The evidence in the files of the commission contains an abundance of statements showing that considerable pressure was brought to bear upon Mr. Graustein and Mr. Town to induce them to increase the contract price of newsprint paper. Negotiations continued throughout the remainder of December, 1928, all of January, 1929, and until the end of February, when an agreement was reached whereby the contract price was increased by approximately $5 per ton.

During this time other manufacturers of newsprint paper in both Canada and the United States delayed announcing their prices to their customers pending a settlement of the controversy between the International Paper Co. and the Prime Ministers of Ontario and Quebec. The Minnesota & Ontario Paper Co. wrote one of its contract customers on January 2, 1929, saying:

> The basic companies named in our contract have not yet decided or announced their 1929 price on newsprint paper. That is the best information we can get over the long distance telephone. We understand that some of them are going to continue billing at their 1928 price. We also understand that the Great Northern Paper Co. has fixed its price at $60 per ton and all contracts have been signed on that basis. Be that as it may, we have decided to render our bills at $60 per ton, and then when the price is established we will adjust our accounts to conform with same. The price situation still appears to be in a chaotic condition, which we regret, but since it is a matter over which we have no control, we must, as you can clearly understand, await the decision of the basic companies named in our contract, but we must keep our billing up to date both in our interest and yours.

Publishers were receiving their paper, not knowing what price they would be required to pay for it. Finally, on February 26, 1929, a new 5-year contract was executed between the International Paper Co. and the Newspaper & Magazine Paper Corporation embodying the revised prices which were as follows:

> $61.50 f. o. b. mill freight allowed to Boston, Albany, Rochester, Syracuse.
> $62 f. o. b. mill freight allowed to New York, Baltimore, Washington, Detroit, Chicago, Pittsburgh.

$61 f. o. b. mill freight allowed to Milwaukee.
$63 f. o. b. mill freight allowed to Omaha, Kansas City.
$65 f. o. b. mill freight allowed to Atlanta.
$67.70 f. o. b. mill freight allowed to San Antonio, Tex.

These prices were not actually written into the contract but it is therein stated that the paper is sold at $65 per ton f. o. b. mill with the seller paying all freight to destination. There are clauses in the contract which add to or deduct from this price, amounts sufficient to arrive at the various prices at the points noted above. The contract provides that the seller will supply the purchaser with 140,000 tons of newsprint paper for each year during 1929 to 1933, inclusive.

A few days after the execution of this contract, or about March 6, 1929, the International Paper Co. sent the following announcement to all of its customers:

To newsprint contract customers:

On October 30, 1928, you were advised that a contract had been closed for a term of years with the Hearst publications at prices lower than the previously announced schedule for 1929, and that as soon as a new schedule could be worked out you would be given the benefit of a reduced price. We now wish to advise you that the Hearst contract is for a term of five years, from January 1, 1929, with no rebates or commissions, either directly or indirectly.

No doubt you are aware of the many reasons for the delay in submitting to you and to other customers the new price schedule. This delay has been embarrassing to you and to us, but we assure you that it has been unavoidable. You have read the bulletins published from time to time in Editor and Publisher, and, of course, you have read your own association bulletins and also the American Newspaper Publishers' Association bulletins.

We are now offering you two forms of contract:

1. A contract for a 5-year term.
2. A contract for a 5-year and continuing term.

In submitting Form No. 2 (5-year and continuing form) we assume that customers now on a continuing basis will prefer that form.

You will observe that we propose to give you under both of these forms at all times our standard price for your destination. Our price to all customers for 1929 has been worked out on this basis and for each year thereafter will be worked out on the same basis.

Upon the signature in duplicate of either one or the other of the forms submitted, the new contract will take effect as of January 1, 1929.

This company hopes that you will find us an increasingly satisfactory and dependable source of supply for your raw materials.

The International Paper Co. worked out a system of zoning of the United States east of the Mississippi River and made a price for 1929 applicable to publishers in each zone which reflected the prices stated in the Hearst contract as nearly as practicable.

On the same day the International Paper Co. sent the above announcement to its customers—March 6, 1929—the Great Northern Paper Co. wrote to all of its contract customers to the effect that the 1929 prices had been fixed by the board of directors and that riders covering the reduction would be forwarded as soon as they could be prepared.

The Minnesota & Ontario Paper Co. mailed its delayed rider covering its 1929 contract prices to its customers on March 13, 1929. The letter accompanying the rider read, in part:

We are now in receipt of the 1929 price on newsprint paper as fixed by the basic companies under our contract, and we herewith inclose rider covering same, to be executed by you in duplicate and returned to us for our signature.

This price is effective as of January 1, and when the riders are executed by you and received by us, we will adjust our billing for January, February, and March accordingly.

The Minnesota & Ontario Paper Co. divided its selling territory into zones and named a delivered price for customers in each zone. The rider dated January 1, 1929, named the delivered price to each customer agreeing with the price in the zone in which the customer was located. The rider sent to a contract customer in Enid, Okla., read, in part, as follows:

Whereas the parties hereto heretofore entered into an agreement known as the uniform sales agreement, 1921–1930, of which this agreement is hereby made a part; and

Whereas the parties hereto desire to fix the price of paper under said uniform sales agreement for the year 1929;

Now, therefore, for good and valuable considerations by each to the other in hand paid, the parties hereto agree that the price effective from January 1, 1929, to December 31, 1929, under said uniform sales agreement shall be $3.40 per 100 pounds f. o. b. cars at mill, with freight allowed from mill to destination (Enid, Okla.); it being further agreed that the purchaser shall pay all freight charges at destination, and the seller shall, at the time of invoicing shipments, give the purchaser credit on account thereof, and the same shall be deductible from said price; and it being further agreed, however, that this price shall not apply to any paper which was deliverable (delivery being deferred) prior to January 1, 1929.

These prices were met by all of the other manufacturers in both the United States and Canada and were made retroactive to the 1st of January, 1929. The prices thus established were effective throughout the year 1929.

The 5-year contract referred to in the above announcement was submitted by the International Paper Co. to its customers for their signatures. It should be noted that in order to get the benefit of the prices established in the Hearst contract it was necessary for the customers of the International Paper Co. to sign the 5-year contract. Practically all of its customers, however, signed the contracts and received the prices stated. The 5-year contracts with the other customers provided that the International Paper Co. may increase the price for any given year by notifying the customer on or before November 30 of the preceding year. The customers, however, are given the right to terminate the contracts in the event of an increase in price. The provision of the 5-year contract embodying these conditions reads as follows:

1930 and subsequent years.—For 1930 and each subsequent year the seller shall, on or before November 30 of the preceding year, give the buyer written notice of the seller's standard price for the destination and if at any time the seller shall so give notice of a new standard price for the destination which increases the then net cost to the buyer figured f. o. b. cars or vessel at mill, freight allowed to the destination, the buyer may, by written notice delivered to the seller within 30 days after receipt by the buyer of such price notice, terminate this contract as of the effective date of such increase, and if this contract is not so terminated, it shall continue from year to year at the new price unless and until terminated upon a subsequent increase in price.

The 1930 price of newsprint.—The revised contract between the International Paper Co. and the Newspaper & Magazine Paper Corporation, signed February 26, 1929, fixed the price for all manufacturers of the United States and Canada east of the Rocky Mountains for 1929. The International Paper Co.'s 5-year contract with other

customers provided that for 1930 and each subsequent year the seller would on or before November 30 of the preceding year give the buyer a written notice of the seller's standard contract price. However prior to November 30, 1929, the Canadian manufacturers through the Prime Ministers of Quebec and Ontario began their endeavors to have prices for 1930 increased. Prime Minister Taschereau of the Province of Quebec "summoned" Mr. Graustein of the International Paper Co. to come to Montreal on November 12, 1929. On this date, there was a conference at which Mr. Graustein, his attorney, Aimme Geoffreon, Premier Taschereau, and Premier Ferguson of Ontario were present. Testifying as to this conference, Mr. Graustein stated that Mr. Taschereau had informed him at that meeting that he insisted that the International Paper Co. advance its price for 1930 to $60 per ton.

When asked if he agreed to the advance, Mr. Graustein answered "No." Later, on or about November 25, 1929, Mr. Taschereau called Mr. Graustein in New York by long-distance telephone from Montreal and again insisted that the price for 1930 should be raised. Testifying concerning this conversation, Mr. Graustein, in answer to a series of questions relating to the demand for an increase in price, said:

> Yes; that related to the same subject matter, and Mr. Taschereau served warning on me that he insisted on our compliance with his instructions. * * * He communicated to me in very vigorous language that I should accomplish the price increase which he had directed, by Friday, November 29.

While in Montreal on November 28, 1929, due to the insistence of Premier Taschereau that the International Paper Co. put into effect Friday, November 29, 1929, the price increase which the Premier had directed, Mr. Graustein telegraphed Premier Ferguson as follows:

> I have tried unsuccessfully to telephone you both yesterday afternoon and to-day. I have asked all our customers for extension of time for announcing our price so that if they give extension we shall have time to work out our problems. I have been working with Hearst organization and have submitted to them a definite proposal which they have not rejected. The situation does not look good at the moment because the Canadian group have withdrawn their proposal to Hearst. I have your letter. Of course, as you doubtless realize, I have had nothing to do with any publishers' protest or actions and can not control them. I assume that the protests are spontaneous and are based on their natural desire to avoid a price increase, especially when they fear declining business and also that they are frightened about the future. * * * I am very anxious to see the whole situation progress to a sane basis, and as you are such a vital factor in the situation I am very keen to have a couple of hours with you to discuss the whole situation. I came up to Montreal last night to deal with the situation on the spot inasmuch as the Hearst people are here, and I plan to stay here to-morrow if they do. I will continue to try to get you on the telephone and try to arrange an appointment with you.

Being unable to reach a satisfactory agreement with the premiers of the Canadian Provinces, the International Paper Co. was not prepared to announce its standard contract price for 1930 to its customers on November 30, 1929. Anticipating this situation, Mr. J. L. Fearing, vice president and sales manager of the International Paper Co., on November 26, 1929, sent the following telegram to its customers:

> Under our newsprint contract with you we are to give you price notification for 1930 on or before the 30th of this month. You are undoubtedly familiar with the tremendous pressure for an increase in price. In view of this we hereby request you give us up to and including December 31 of this year for such price notice, we agreeing that if notice is not given you before November 30 we will, if you require us to do so, continue shipments at this year's price for 30 days after such notice is given; we also agreeing that if notice so given specifies an increased price you may have, as provided in present contract, 30 days after receipt of such notice within which to give us notice of cancellation. Please wire answer collect. Attention J. L. Fearing.

On December 7, 1929, Mr. R. T. Houk, jr., president of the G. H. Mead Co., Dayton, Ohio, selling the product of the Abitibi Power & Paper Co. (Ltd.) in the United States, wrote the commission confirming press reports to the effect that the Abitibi Co. had announced an increase in the price of newsprint from $55 to $60 a ton, effective January 1, 1930. Mr. Houk's letter, in part, follows:

> The Abitibi Co. has announced an increase in the price of newsprint to the extent of $5 per ton, offering to anyone electing to close for three years at this price, a rebate of $5 per ton for the first six months of 1930. This formal announcement appeared in the press Thursday morning, December 5.

The continuing contracts of the G. H. Mead Co. with its customers provide that the price shall be the seller's regular contract price to be announced on or before each December 15 for the following year. The company notified its customers by telegram on December 14, 1929, that no conclusion had been reached as to a basis for 1930 prices and asked for two or three weeks' additional time in which to announce 1930 prices.

Mr. Henry A. Wise, of New York City, attorney for the Newsprint Institute of Canada, wrote the commission on December 9, 1929, confirming press reports that the Abitibi Power & Paper Co. (Ltd.) and the St. Maurice Valley Paper Co. (Ltd.) had made announcements of prices for 1930.

> For 3-year contracts, $60 per ton with a refund of $5 per ton during the first six months of 1930.

While the basic price for 1930 had not been settled, it was apparent by the end of December, 1929, that there would be no increase in the contract price of newsprint paper prior to July 1, 1930.

Press reports indicate that on December 30, 1929, the Canadian Power & Paper Co. and the Price Bros. Co. announced that they had abandoned their recently formed policy of making contracts for three years' requirements at $60 per ton with a refund of $5 per ton for the first six months of 1930 and would continue the 1929 prices during the first six months of 1930, the price during the remainder of the year to be determined later.

The International Paper Co. notified its newsprint customers on December 31, 1929, that the 1929 price would continue in effect until June 30, 1930. The International's announcement reads in part as follows:

> Referring to our telegram to you of December 20, 1929, and to your acceptance of our proposition, we now confirm that there will be no change for the year 1930 from your 1929 price unless we give you not less than 30 days' written notice of an advance in price to become effective at any time after June 30, 1930, in which event the new price shall apply, subject to your right, within 30 days after such notice, to cancel the contract as of the effective date of such increase.

There will be no advance in the price at least during the first six months of 1930.

Except as herein modified the contract with you remains in full force and effect.

The paper committee of the American Newspaper Publishers' Association held several conferences with the representatives of the Newsprint Institute of Canada during the first four months of 1930, at which newsprint-paper prices and terms were discussed. At a meeting of the association held in New York City on April 23 to 25, 1930, the paper committee made a detailed report of its efforts to reach an understanding with the Canadian manufacturers. This report contained a copy of a letter from Col. John H. Price, chairman of the board of governors of the Newsprint Institute of Canada, dated April 10, 1930, outlining a program contemplating a gradual advance in newsprint prices, as follows:

1. The price of newsprint paper for the remainder of the year 1930 will remain at the present level.
2. The price of newsprint paper for the year 1931 will be $2 per ton in advance of the 1930 level, present freights allowed.
3. The price of newsprint paper for the year 1932 will be $2 per ton in advance of the 1931 level, present freights allowed.
4. The price of newsprint paper for the year 1933 will be $1 per ton in advance of the 1932 level, present freights allowed.

A fair scale of differentials for colored and special papers will be provided.

The paper committee report covered in some detail the conditions of the newsprint industry at the present time. Before the close of the meeting the association passed the following resolution:

Resolved, That the American Newspaper Publishers Association in convention assembled approves the principle of a broad economic stabilization of production and distribution of newsprint paper over a period of years; and be it further

Resolved, That the price to be paid for newsprint at any time is a matter to be determined by each publisher in the exercise of his own independent judgment.

Section 3. Paper jobbers' sales and prices.

There are a number of sales agents who sell newsprint paper on contract covering the output or a part of the output of certain mills on a commission basis. There are also brokers located in the larger cities who sell newsprint paper by the carload and purchase the paper from manufacturers after the sale is made. Both of these classes of dealers sell to paper merchants as well as publishers, but neither of them store or carry paper in stock. The sales agent and the broker have very little, if anything, to do with determining the price of newsprint paper.

Information has been received from about 175 paper jobbers or merchants who sell newsprint paper along with other paper products. None of the jobbers sell newsprint exclusively. They are engaged primarily in the sale of fine papers and other paper products, newsprint being only incidental and constituting a small percentage of their total business. In most cases investigated the newsprint item was so small that no separate record of its sale was kept, and it was impossible to separate the newsprint business from that of other paper products. Many of the merchants claim that since the manufacturers are now selling all of the large and many of the small

newspapers direct, very little newsprint business is left for the merchant. Many of them claim that the handling of newsprint in such small quantities is not profitable, and that they only handle it as an accommodation to their customers, many of whom purchase other paper products and demand their small requirements of newsprint from the same source of supply. Thus, many jobbers are forced to carry a small quantity of newsprint in stock to complete orders of customers requiring several other paper products.

It may be recalled at this point that for the last five years the paper merchants have handled only about 10 per cent of the newsprint paper consumed in the United States. (Table 14.) This percentage was materially lowered during 1929, when reports to the commission showed that approximately 98 per cent of the newsprint produced by manufacturers located in the United States was sold on contracts direct to newspaper publishers. Furthermore, publishers through their associations have been very active in trying to induce manufacturers to sell publishers direct, even though the publishers may not require shipments of paper in carload lots. This is particularly true of the publishers' association in California. (See p. 104.)

The newsprint sold by the merchant is usually sold to supply very small daily and weekly papers, requiring in many cases less than a ton a year. To obtain any appreciable volume of business the merchant must have a large number of such customers. This involves a large number of small shipments, a tremendous amount of bookkeeping, and considerable expense in storing, handling, and carting of paper. Many of the jobbers who formerly did a substantial newsprint business sell very little or none now. The following are expressions of views quoted from correspondence and interviews with paper jobbers during this investigation.

Views of representatives of jobbing companies.—The following excerpt is from a letter to the commission from the Paper House of Pennsylvania, of Philadelphia, Pa., August 26, 1929:

The cost of warehousing newsprint paper is so high in comparison to its value that we consider it an unprofitable item of business. At present we are supplying perhaps a dozen small publishers more as an accommodation than anything else.

Letter from Central Ohio Paper Co., of Columbus, Ohio, September 10, 1929:

Replying to your favor of the 5th, our newsprint business is nil. We have no contracts. We buy and sell a very small amount of newsprint. We have been put out of business by conditions in Canada, by which they send newsprint in here free of duty at a price no mill in the United States can compete with.

Two mills that we have been interested in for a number of years have died within the year, both good mills, and, with reasonable price protection, could have continued and made money for the owners and kept many employees working. One of them has not operated at all during 1929 and very little in 1928. The other has worked less than half time in 1929 and is now in process of liquidation, so really we have nothing to report to the commission as we understand it.

Mr. R. W. Doudican, general manager of the F. W. Lotz Paper Co., Dayton, Ohio, stated in an interview that his company did not handle newsprint because:

He does not believe there is any profit in it, since the publishers using any quantity to amount to anything are purchasing direct from the manufacturers, leaving nothing for the jobber except small undesirable trade.

The Irwin Paper Co., of Quincy, Ill., wrote the commission on June 18, 1929:

The profit in the paper-jobbing business in this country is at a very low ebb, which is entirely due to the fact that manufacturers go direct to the consumer for quantity orders.

My impression is that the newspapers buy their print paper from the International Paper Co. at a much lower price than we are able to buy an occasional carload.

Excerpt from attorney's report of interview with Mr. A. W. Bagley, secretary of Old North State Paper Co., Greensboro, N. C., follows:

Informant stated that his company has handled no newsprint, either in rolls or sheets, for five years. It was found to be unprofitable.

From report of interview with Mr. N. Newman, manager of P. Newman & Co., Jacksonville, Fla., August 29, 1929:

Informant stated that he has never handled newsprint of any description—that it is his understanding that all newspapers purchased their newsprint directly from the manufacturers.

One of the commission's attorneys, reporting an interview with Mr. J. W. Knight, president of Knight Bros. Paper Co., of Jacksonville, Fla., August 29, 1929, said:

Mr. Knight stated that his company makes no profit on newsprint. It is carried mostly to meet the demands of his customers who purchase other paper products.

In an interview by an attorney of the commission with Mr. James T. Wells, President of Sloan Paper Co., of Atlanta, Ga., on September 7, 1929:

Informant stated that newsprint is sold only to small daily and weekly newspapers. He stated that it may not be known generally, but it is a fact that the International Paper Co. claims all carload business. That if one of his customers should want a carload of newsprint, the International Paper Co. would ship it direct and not allow the jobber a commission or profit. * * *

Mr. Wells stated that his company makes no profit on newsprint business. He carries it because it is necessary for certain customers who give large orders for other paper products and demand newsprint.

Report of interview with Mr. R. E. Richards and Mr. W. A. Rhodes, of the S. P. Richards Paper Co., Atlanta, Ga., on September 7, 1929, says:

Informants stated that all newsprint is sold to small weekly newspapers. They contend that the company makes no profit whatever on newsprint. They merely carry it because some of their customers demand it. They would gladly discontinue handling newsprint if it were not for the fact that it is almost necessary to have it in order to sell large orders of other paper products.

Mr. W. C. Strickland, of the Strickland Paper Co., North Birmingham, Ala., stated in an interview with one of the attorneys of the commission that the newsprint business amounted to about 5 per cent of his company's total business and that it was handled more as a courtesy to his customers, as there was practically no profit in newsprint. Mr. Strickland stated further that—

The large daily newspapers all purchase newsprint direct from the manufacturing companies. The various paper jobbers sell a variety of paper products to small newspapers and job printers, both of which demand a certain amount of newsprint sheets. The jobbers carry enough newsprint to meet the demands of these customers, which is sold on a close margin, and there is practically no profit in the sale.

Mr. P. T. Price, manager of the Birmingham, Ala., branch of the Graham Paper Co., stated in an interview on September 11, 1929:

That the newsprint business, so far as a jobber is concerned, amounts to very little. There is practically no profit in it for the jobber.

Mr. Charles Fernstrom, of New Orleans, La., agent for Skonviks Aktie Bolag, of Skonvik, Sweden, on September 17, 1929, describing the competitive conditions in New Orleans, stated in substance:

That formerly he had a large business in this country but certain domestic paper manufacturers have reduced their prices to meet those offered by his company, and he has necessarily lost many customers. He stated that the International Paper Co. is his most formidable competitor—that this company will sell for the same prices as his company and naturally local concerns prefer to buy from a domestic company. He stated that some mills in Finland likewise offer competition.

Informant stated that up until 1925 the New Orleans Times-Picayune newspaper was one of his largest customers but that year this newspaper contracted with the International Paper Co. for all newsprint. Also, in 1927, the New Orleans Item newspaper, which had been a good customer, contracted with the International for all future newsprint. He stated that his prices formerly were much lower than domestic companies but that the International Co. is now selling newsprint in this section at prices almost identical with those of his company.

In an interview on September 20, 1929, Mr. E. Severin, manager of the Southern Trading Co., of Galveston, Tex., describing competitive conditions in Texas, said:

Up until two months prior to this interview this company was engaged only as selling agents for Skonviks Aktie Bolag, Sweden, in the sale of newsprint paper. However, informant stated that since he has lost practically all of his newsprint business he began handling other paper products to "keep from starving."

For many years he enjoyed a good business, but during the past few years business has been falling off until it amounts to practically nothing * * *. In 1927 this company had several contracts with publishers, but domestic and Canadian newsprint manufacturers began lowering prices and he lost all his large contracts. * * *

The company has never sold newsprint to jobbers—only to newspaper publishers. * * *

Informant stated that the Powell River Co. does not ship its newsprint into Texas by boat but by rail. They say to prospective customers in Texas, "If you will take our newsprint we will prorate the freight and ship it by rail for the same rate as you can get it by water." * * *

The International Paper Co. is using every means to get its paper established in Texas. They ship paper from the Newfoundland mill by boat to Galveston and Houston to supply orders in Texas. * * *

The price of the Powell River Co. for Texas of $2.90 c. i. f. Houston is a competitive price or agreed upon price between the publishers and the Powell River Co. It is supposed to be a fair differential to them as the International Co. which sells for $3 has this warehouse storage feature. All Gulf coast publishers are paying only 5 cents less for newsprint than inland publishers in Texas. * * *

Shipments from Canada are rebated so as to deliver paper to Texas common points for the same price as informant's company does. This, of course, canceled many of the features of buying from informant, there remaining no further inducement for foreign paper. Informant stated that there is no profit in what little remaining business he holds.

Mr. Harry A. Olmstead, president of the Olmstead-Kirk Paper Co., Dallas, Tex., stated on September 24, 1929, in substance:

Mr. Olmstead stated at the outset that he wanted examiner to understand that the newsprint portion of his business amounted to practically nothing—that he makes no money out of it, and he never insists on his salesmen pushing the sale of it. He stated it is absolutely necessary, however, for him to carry it in stock for the reason that customers will order and request it together with other paper shipments, and he must have it on hand in order to hold his customers. He stated that it won't be very long before the jobber will be eliminated so far as newsprint is concerned, as each year more and more of the publishers are buying directly from the mills.

Following is an excerpt from the report of an interview with Mr. J. T. Roach, president of Roach Paper Co., Little Rock, Ark., on September 27, 1929:

Informant stated that there is practically no profit in the newsprint business. He would just as soon dispense with it entirely, but as many of his customers demand at least a small amount he finds it necessary to handle enough to supply demands.

In an interview on October 9, 1929, Mr. William Malone, secretary of Southeastern Paper Co., Louisville, Ky., stated in substance:

Informant stated that newsprint is only carried by his company to accommodate certain of his customers who occasionally demand small amounts.

The John Boshart Paper Co., of Duluth, Minn., wrote the commission on June 24, 1929, in part:

We buy our newsprint from the Watab Paper Co., Sartell, Minn. We have bought about 25 tons so far. The prices at the mill are $3.35 and $3.10. The rate from the mill to Duluth is $0.45. We sell sheets only, as most newspapers buying print in rolls buy direct from the mills, the latter using the excuse that they must do this for protection in behalf of their company to avoid labor trouble. As I understand it, if the mill takes care of the newspaper, the newspaper will take care of any irregularities that may derive at the mill.

The following excerpt is from a letter to the commission from Grode & Nash Paper Co. (Inc.), Nekoosa, Wis., September 9, 1929:

I wish to inform you at this time that we do not sell much newsprint, as we never have been able to make a living profit on same.

In a letter to the commission dated July 3, 1929, Mr. J. B. Jones, purchasing agent for the Western Newspaper Union, a large ready-print paper concern which also does a jobbing business, said:

We sell an occasional car, both rolls and sheets, and endeavor at all times to get at least 10 cents per hundredweight profit over cost on carload lots. In years gone by we were able to make a larger profit, sometimes as much as 25 cents per hundredweight, or $5 a ton, over cost. In recent years our competition has been such that the profit has been cut to a minimum, and to such an extent where the business is not at all attractive.

Jobbers' quoted open-market prices.—Paper jobbers were requested to furnish the commission with their regular open-market prices of newsprint paper on January 1, 1924, and all of the changes made subsequent thereto with the date of the change. From reports selected from the replies to this request Table 20 was compiled, showing jobbers' open-market prices on sheet newsprint paper when purchased in 500 pounds or in ton lots or more on January 1 of each year, 1924–1929, and on July 1, 1929.

TABLE 20.—*Jobbers' quoted open-market prices of sheet newsprint paper, 1924–1929*

City	Jobber No.	Jan. 1, 1924		Jan. 1, 1925		Jan. 1, 1926		Jan. 1, 1927		Jan. 1, 1928		Jan. 1, 1929		July 1, 1929	
		500 lbs.	Tons	500 lbs.	Tons	500 lbs.	Tons	500 lbs.	Tons	500 lbs.	Tons	500 lbs.	Tons	500 lbs.	Tons
Boston, Mass.	1	$6.00	$5.50	$6.00	$5.50	$6.00	$5.50	$6.00	$5.50	$5.50	$5.00	$5.50	$5.00	$5.50	$5.00
Buffalo, N. Y.	2	5.50	-----	5.50	-----	5.00	-----	5.00	-----	5.00	-----	4.75	-----	4.75	-----
New York, N. Y.	3	-----	-----	-----	-----	5.00	-----	5.00	-----	5.00	-----	5.00	-----	4.85	-----
Do	4	-----	-----	-----	-----	5.00	5.00	5.50	5.00	5.50	5.00	5.50	5.00	-----	-----
Do	5	-----	-----	6.00	-----	6.00	-----	6.00	-----	5.50	-----	5.50	-----	4.50	-----
Do	6	-----	5.75	-----	5.75	-----	5.75	-----	5.75	-----	5.75	-----	5.50	-----	5.50
Newark, N. J.	7	-----	-----	[1] 5.00	[1] 4.50	[1] 5.00	[1] 4.50	[1] 5.00	[1] 4.50	[1] 5.00	[1] 4.50	[1] 5.00	[1] 4.50	[1] 5.00	[1] 4.25
Baltimore, Md.	8	5.25	-----	5.50	-----	5.50	-----	5.25	-----	5.00	-----	4.75	-----	4.75	-----
Pittsburgh, Pa.	9	6.00	5.75	5.50	5.25	5.50	5.00	5.50	5.00	5.00	-----	4.75	-----	4.75	-----
Toledo, Ohio	10	5.55	5.25	5.55	5.25	5.55	5.25	5.15	5.00	5.15	5.00	4.55	4.35	4.55	4.35
Grand Rapids, Mich.	11	-----	-----	-----	-----	-----	-----	-----	-----	5.10	4.85	5.10	4.85	5.10	4.85
Kalamazoo, Mich.	12	5.75	-----	5.75	-----	5.25	-----	5.00	-----	4.75	-----	4.75	-----	4.75	-----
Indianapolis, Ind.	13	5.25	5.00	5.25	5.00	5.15	5.00	5.15	5.00	4.75	4.55	4.55	4.35	4.55	4.35
Chicago, Ill.	14	5.55	-----	5.35	-----	5.15	5.00	5.15	5.00	4.75	4.55	4.55	4.35	4.55	4.35
Do	15	5.55	5.25	5.55	5.25	5.25	5.00	5.15	5.00	4.75	4.55	4.55	4.35	4.55	4.35
Do	16	6.00	-----	5.00	-----	5.25	5.00	5.25	5.00	5.15	5.00	4.55	4.35	4.55	4.35
Do	17	5.35	5.10	5.35	5.10	5.15	5.00	5.15	5.00	4.75	4.55	4.55	4.35	4.55	4.35
Do	18	5.75	5.25	5.25	4.60	5.25	4.75	5.25	4.50	5.25	4.50	4.50	3.75	4.50	3.75
Minneapolis, Minn.	19	5.75	5.25	4.75	4.25	5.25	4.75	5.25	4.50	5.25	4.50	4.50	3.75	4.50	3.75
Do	20	-----	-----	-----	-----	5.25	4.75	5.25	4.50	5.25	4.50	5.25	4.50	5.25	4.50
Do	21	5.75	5.25	5.50	5.25	5.75	5.00	5.75	5.00	5.50	5.00	4.75	4.50	4.75	4.50
Do	22	7.19	-----	7.19	-----	5.25	4.75	5.25	4.75	5.25	4.50	5.00	4.25	4.50	4.25
St. Paul, Minn.	23	-----	-----	5.25	4.75	5.25	4.75	5.25	4.75	5.25	4.50	4.50	3.75	4.50	3.75
Do	24	5.50	5.25	5.25	5.00	5.00	4.75	4.75	4.50	4.75	4.50	4.25	4.00	4.25	4.00
Jacksonville, Fla.	25	6.00	5.70	5.25	5.05	5.25	5.05	5.25	5.05	5.00	4.75	4.75	4.50	4.75	4.50
Kansas City, Mo.	26	6.00	5.70	5.45	5.20	5.25	5.05	5.25	5.05	5.25	5.05	4.75	4.50	4.50	4.25
Do	27	5.75	-----	5.25	-----	5.25	-----	5.25	-----	5.25	-----	5.00	-----	4.75	-----
Do	28	-----	-----	-----	-----	-----	-----	5.25	4.75	5.25	4.75	5.25	4.50	4.75	4.00
Sioux Falls, S. Dak.	29	5.25	5.00	5.25	5.00	5.25	5.00	5.25	5.00	5.25	5.00	5.00	4.50	5.00	4.50
Nashville, Tenn.	30	6.10	5.80	5.35	5.15	5.35	5.15	5.35	5.15	5.10	4.85	4.85	4.60	4.60	4.35
Topeka, Kans.	31	-----	-----	-----	-----	5.00	4.65	5.00	4.65	4.80	4.45	4.40	4.20	4.53	4.20
Greensboro, N. C.	32	5.75	5.25	5.25	4.85	5.00	4.65	5.00	4.65	5.00	4.65	5.00	4.65	5.00	4.65
Charlotte, N. C.	33	5.50	-----	5.25	5.10	5.00	4.85	5.00	4.65	4.75	4.50	4.55	4.20	4.55	4.20
Columbia, S. C.	34	-----	-----	-----	-----	5.25	5.00	5.25	5.00	5.00	4.75	4.75	4.50	4.75	4.50
Little Rock, Ark.	35	6.00	-----	5.75	5.50	5.75	5.50	5.25	5.00	5.00	4.75	4.50	4.25	4.50	4.25
New Orleans, La.	36	5.75	5.50	5.50	5.25	5.50	5.25	5.00	4.75	5.00	4.75	5.00	4.75	5.00	4.75
Dallas, Tex.	37	5.25	(2)	5.25	(2)	5.25	(2)	5.25	(2)	4.75	(2)	4.75	4.55	4.75	4.55
Appleton, Wis.	38	[3] 5.50	5.25	[3] 5.50	5.25	[3] 5.50	5.25	[3] 5.50	5.25	[3] 4.75	4.55	[3] 4.75	4.55	[3] 4.75	4.55
Neenah, Wis.	39	6.00	-----	6.00	-----	5.65	-----	5.65	-----	5.35	-----	5.35	-----	5.35	-----
Portland, Oreg.	40	6.00	5.70	5.75	[4] 5.75	5.50	[4] 5.50	5.50	[4] 5.50	5.50	[4] 5.50	[4] 5.00	5.00	5.00	[4] 5.00
San Francisco, Calif.	41	6.25	5.85	5.85	5.50	6.00	5.60	5.75	5.00	5.75	5.25	5.75	5.00	5.75	5.00
Do	42	6.00	-----	6.00	-----	6.00	-----	5.50	-----	5.50	-----	5.50	-----	5.50	-----
Pomona, Calif.	43	-----	[1] 3.50	-----	[1] 3.50	-----	[1] 3.40	-----	[1] 3.10	-----	[1] 3.00	-----	[1] 2.90	-----	[1] 3.00

[1] Imported paper. [2] Price on application. [3] 1,000-pound lots. [4] Less 5 per cent.

In some instances the prices shown in this table became effective during the period preceding the dates shown. There was no regularity in the dates on which price changes were made by the various jobbers, nor did they correspond with the dates of price changes by the newsprint manufacturers. (See Table 18.) There is nothing in the files to indicate that there was any concerted action by the jobbers in making prices. It should be noted, however, that in Chicago, Ill., where the prices of five jobbers are shown, there were four different prices of sheet newsprint when purchased in 500-pound lots in 1924. Each of the five jobbers made several reductions on different dates, but their prices were uniform on January 1, 1929.

While in some of the cities listed the number of price reductions have been few, the general trend of jobbers' open-market prices has been downward, thus reflecting the reductions made by the newsprint manufacturers in the mill prices.

In the above table only prices for sheets in 500-pound and ton lots are shown. They show the trend in the jobbers' prices for roll paper as well as smaller quantities for sheet paper. Table 21, which follows, shows the jobbers' open-market prices of roll and sheet newsprint paper at the time the several reports were received during 1929. The prices quoted are based on quantity purchases. The roll prices are shown for purchases in 500-pound and in ton lots. The sheet prices are for purchases in less-than-ream, ream, bundle, 500-pound, and ton lots.

TABLE 21.—*Open-market prices of newsprint paper listed by jobbers, 1929*

	Jobber No.	Sheets					Rolls	
		Less than reams	Reams	Bundles	500 pounds	Tons	500 pounds	Tons
Boston, Mass	1	------	$5.50	$6.00	$5.50	$5.00	------	------
Do	2	$8.75	6.50	------	5.50	5.00	------	------
Albany, N. Y	3	7.35	------	5.45	4.85	------	------	------
Do	4	7.50	------	5.60	5.00	------	------	------
Buffalo, N. Y	5	7.25	5.25	------	4.75	------	------	------
New York, N. Y	6	------	------	6.00	5.50	5.00	------	------
Newark, N. J	7	7.80	------	6.50	------	5.75	------	------
Do	8	8.00	6.25	5.75	------	------	------	------
Do	9	8.50	------	5.50	4.50	------	------	------
Baltimore, Md	10	------	------	------	[1] 5.00	[1] 4.25	------	------
Pittsburgh, Pa	11	------	------	5.25	4.75	4.00	------	------
Cincinnati, Ohio	12	7.00	5.25	------	4.75	------	------	------
Do	13	------	5.50	------	------	4.25	------	$4.00
Do	14	------	5.25	------	4.75	3.90	------	3.65
Detroit, Mich	15	7.50	5.50	------	5.00	4.75	------	------
Chicago, Ill	16	8.00	5.25	------	4.55	4.35	$4.30	4.10
Do	17	------	5.25	------	4.55	4.35	------	------
Do	18	8.00	------	------	4.55	4.35	4.30	4.10
Minneapolis, Minn	19	------	7.00	6.00	5.25	4.50	------	------
Do	20	------	------	5.50	4.50	3.75	------	------
Do	21	9.00	7.00	5.75	4.75	4.00	------	------
Richmond, Va	22	------	------	------	[1] 4.50	[1] 4.00	[1] 3.60	[1] 3.05
Do	23	------	[1] 5.00	------	[1] 4.25	[1] 3.75	------	------
Do	24	6.25	------	5.00	------	4.10	------	------
Do	25	------	------	------	------	------	------	4.50
St. Louis, Mo	26	8.00	5.25	------	4.55	4.35	------	------
Do	27	8.00	5.25	------	4.55	------	------	------
Kansas City, Mo	28	8.00	5.25	------	4.75	------	4.50	------
Do	29	------	5.00	------	4.50	4.25	4.50	4.25
Omaha, Nebr	30	9.00	6.00	5.25	4.50	4.25	------	------
Do	31	9.00	6.00	5.25	4.50	4.25	4.25	4.00
Sioux Falls, S. Dak	32	9.00	7.00	5.75	4.75	4.00	------	------
Nashville, Tenn	33	------	------	5.25	5.00	4.50	------	------
Topeka, Kans	34	------	5.10	------	4.60	4.35	------	------
Greensboro, N. C	35	------	------	5.10	4.80	4.45	4.45	4.20
Atlanta, Ga	36	------	------	4.75	4.50	4.25	4.75	4.00
Do	37	------	------	4.75	4.50	4.10	4.25	3.85
Jackson, Miss	38	------	------	5.50	4.75	------	------	------
Little Rock, Ark	39	8.25	5.50	------	4.75	4.50	------	------
Tulsa, Okla	40	------	5.25	------	4.75	4.50	4.75	4.25
Fort Worth, Tex	41	------	------	5.75	5.00	4.75	------	------
Do	42	8.00	5.25	------	4.75	------	4.75	4.50
New Orleans, La	43	------	------	5.25	------	------	------	------
Do	44	5.70	5.25	------	4.50	4.25	------	------
Houston, Tex	45	8.00	------	5.25	4.75	4.56	------	------
Duluth, Minn	46	------	------	5.50	4.75	4.00	------	------
Milwaukee, Wis	47	8.25	5.50	------	4.75	4.55	------	------
San Francisco, Calif	48	9.60	7.20	------	5.75	------	------	------
Do	49	8.50	6.75	------	5.50	------	------	------
Portland, Oreg	50	7.50	5.75	------	5.00	4.75	------	------
Tacoma, Wash	51	8.00	6.00	5.75	5.25	4.99	------	------
Spokane, Wash	52	8.00	------	6.00	5.25	------	------	------

[1] Imported from Finland.

In the newsprint-paper industry 500 sheets are accepted as a ream. A ream of standard newsprint 24 by 36 inches weighs 32 pounds. The bundle is not standardized, and may contain from 2 to 5 reams.

Customers who purchase in less-than-ream lots probably use the paper for job printing or other incidental uses and not for printing newspapers. The quoted prices for less-than-ream lots ranged from $7 to $9.60 per hundredweight, or $140 to $192 per ton. Prices in ream purchases ranged from $5 to $7.20; bundles, from $4.75 to $5.50; 500-pound lots, from $4.25 to $5.75; and ton lots, from $3.75 to $5.75 per hundredweight. Quoted prices for roll newsprint ranged from $3.60 to $4.75 per hundredweight if purchased in 500-pound lots, or $3.05 to $4.50 if purchased in ton lots. The lowest quoted prices for purchases of sheet paper in ton lots were made by jobbers in Minneapolis, Minn., and in Richmond, Va. The lowest price for roll paper in ton lots was made by a jobber in Richmond, Va. The low prices in Richmond were for imported paper, which, in many instances, was purchased c. i. f. American ports at $58 per ton.

The jobbers' margin.—No attempt has been made in this inquiry to ascertain the jobbers' profits on newsprint paper. However, the following comparison of quoted selling prices for ton lots of sheet newsprint of four jobbers located in Chicago, Minneapolis, Kansas City, and Oklahoma City with their delivered cost during 1929 may be of interest:

TABLE 22.—*The jobbers' margin based on delivered cost and quoted prices*

Location of jobbers	Jobbers' list price per hundredweight for ton lots	Manufacturer's price f. o. b. mill	Carload freight rate per hundredweight	Cost f. o. b. cars at jobbers' location	Margin per hundredweight
Chicago, Ill	$4.35	$3.25	$0.20	$3.45	$0.90
Kansas City, Mo	4.25	3.10	.32	3.42	.83
Minneapolis, Minn	4.00	3.10	.10	3.20	.80
Oklahoma City, Okla	4.50	2.75	.79	3.54	.96

The four cities covered by the above statement are typical jobbing centers. The delivered cost and list prices are believed to reflect the jobber's cost and selling prices generally in these centers.

In many cases jobbers buy in less than carload quantities, and therefore pay the less than carload freights rates. The margin shown, however, is where the jobber gets the benefit of the carload freight rate instead of the higher less than carload rate by having his consignment shipped in a pool or club car. The jobbers buying in carload lots do not pay any freight, as the paper is sold on a delivered basis. To determine the net profit, many items, which vary greatly with various jobbers, including trucking, storage, insurance, interest, selling costs, general overhead, discounts, and credit losses, must be deducted.

One jobber undertook to justify part of the margin between the mill price and the price to publishers who buy in less than carload lots by showing that the distribution of one car (50,974 pounds) of roll newsprint invoiced to him on April 1, 1929, required 31 transactions, extending from April 15 to June 18, 1929. The lot comprised 40 rolls; the storage cost alone was 99 cents per roll for the first month and 45 cents per roll each succeeding month; 6 rolls remained unsold on June 21, 1929.

Jobbers' prices on actual sales.—Owing to the incompleteness of jobbers' records of newsprint sales, it was impossible to get complete information as to their actual selling prices for prior years; only a few of them furnished any price list except printed ones. However, accurate sales and price figures were obtained for 1928 and 1929. Generally, jobbers' prices were slightly lower in 1929 than they were in 1928, giving effect to the price reductions made by the manufacturers, although the jobbers' reductions were not so great as those of the manufacturers nor were they uniform.

Table 23, which follows, was compiled from jobbers' reports of their small and open-market customers with the quantities and prices of newsprint sold to each during that part of 1929 for which their reports were made. The table shows the number of newspaper publishers to whom jobbers sold newsprint paper, with the quantity of paper and the range of prices per hundredweight, in each of the cities listed. Sales of rolls and sheets are given separately. The quantities shown in the "contract" column represent the customers' requirements for the entire year, while the quantities in the "open-market" column are actual shipments up to the date the reports were made and cover an average of about seven months of 1929.

The cities or distributing points are arranged as nearly as practicable so as to group them in the same price zones, as outlined by leading manufacturers. The prices are for shipments f. o. b. cars at the distributing point unless otherwise noted.

TABLE 23.—*Newsprint paper sales to publishers by jobbers, 1929*

	Number of jobbers	Sales in rolls						Sales in sheets					
		Contracts			Open market [1]			Contracts			Open market [1]		
		Number of publishers	Quantity (tons)	Price range per hundredweight	Number of publishers	Quantity (tons)	Price range per hundredweight	Number of publishers	Quantity (tons)	Price range per hundredweight	Number of publishers	Quantity (tons)	Price range per hundredweight
Portland, Me	1										15	58	$3.50–$5.50
Boston, Mass	1										3	9	4.65– 5.50
Springfield, Mass	1										2	5	4.75– 6.50
Providence, R. I	2	4	310	$3.325–$3.35				2	42	$4.85–$5.25			
Albany, N. Y	1				1	5	$4.40				35	300	3.30– 7.35
Saratoga Springs, N. Y	1	1	290	3.125									
Rochester, N. Y	2										3	4	5.75– 8.25
New York City	5	1	524	3.30 – 3.35	12	308	3.175– 3.90				16	56	3.90– 5.00
Philadelphia, Pa	2	1	21	3.75	15	1,084	3.52 – 4.25	1	3	4.25	5	33	4.00– 4.75
Harrisburg, Pa	1	1	18	3.55									
Baltimore, Md	1				1	28	[2] 3.00						
Dayton, Ohio	1				1	54	3.35						
Cincinnati, Ohio	2				11	149	[2] 2.90 – 3.90				64	[3] 363	3.45– 4.65
Louisville, Ky	1	1	125	3.70									
Indianapolis, Ind	1										6	13	4.35 4.75
Toledo, Ohio	1										13	5	4.75– 5.50
Detroit, Mich	2										26	[3] 162	[2] 3.37– 4.75
Lansing, Mich	1										70	104	3.60– 7.50
Kalamazoo, Mich	1				1	18	3.29				9	6	4.30– 5.25
Grand Rapids, Mich	1										46	[3] 71	3.10– 5.50
Chicago, Ill	5	8	752	3.30 – 5.75	13	133	3.55 – 5.50	22	60	4.75– 5.75	189	[3] 894	3.65– 6.75
Minneapolis, Minn	3				13	156	3.30 – 5.50				187	[3] 210	3.50– 7.50
St. Paul, Minn	2										153	[3] 169	3.34– 7.00
Des Moines, Iowa	1										95	[3] 272	3.20– 6.00
Milwaukee, Wis	1										55	[3] 172	3.25– 4.50
Appleton, Wis	1	2	230	3.25	2	5	3.75 – 5.25	4	63	3.75– 5.00	41	67	3.60– 7.00
Nekoosa, Wis	1										18	24	3.75– 5.50
Wausau, Wis	1										4	4	4.75– 5.50
Neenah, Wis	1										5	6	3.75– 5.50
Duluth, Minn	1										13	2	4.25– 7.00
St. Louis, Mo	5				2	42	3.65 – 4.25				11	50	4.30– 5.50
Kansas City, Mo	4				25	176	[2] 3.00 – 4.75				249	290	3.75– 8.50
Omaha, Nebr	2	17	1,575	[2] 3.30 – 4.75	36	787	[2] 3.05 – 4.75				279	607	4.00– 6.35
Topeka, Kans	1				1	9	3.75 – 6.25				125	126	3.50– 8.50

[1] Open market sales cover a period averaging 7 months in 1929.

[2] F. o. b. mill.

[3] Includes rolls.

TABLE 23.—*Newsprint paper sales to publishers by jobbers, 1929*—Continued

	Number of jobbers	Sales in rolls						Sales in sheets					
		Contracts			Open market			Contracts			Open market		
		Number of publishers	Quantity (tons)	Price range per hundredweight	Number of publishers	Quantity (tons)	Price range per hundredweight	Number of publishers	Quantity (tons)	Price range per hundredweight	Number of publishers	Quantity (tons)	Price range per hundredweight
Fort Worth, Tex.	1				9	54	[2] $2.60 –$4.75				60	[3] 16	$3.00–$3.75
Dallas, Tex.	2				2	50	3.25 – 3.78				215	197	3.50– 6.25
Little Rock, Ark.	1				17	105	2.90 – 6.50				158	170	3.85– 8.75
New Orleans, La.	2				16	91	3.75 – 4.75				38	45	4.00– 6.00
Tampa, Fla.	1										49	269	4.10– 4.75
Columbia, S. C.	1										16	42	5.50
Richmond, Va.	1										21	14	5.00– 6.25
Salt Lake City, Utah	1				1	3	3.50				21	19	3.75–6.25
Butte, Mont.	1										2	6	5.00
Spokane, Wash.	1										13	54	4.25– 5.00
Eureka, Calif.	1							61	266	$4.50–$7.20	77	[3] 77	4.10– 6.50
San Francisco, Calif.	4												
Los Angeles, Calif.	1												
Total	76	43	5,968	[1] 3.125– 5.75	179	3,257	[2] 2.60 – 6.50	90	464	3.75– 7.20	2,427	5,031	3.10– 8.75

[1] F. o. b. mill.

[2] Includes rolls.

The table was compiled from reports from 76 paper jobbing houses (including branches) located in 47 cities in 27 States of the Union. They represent the principal jobbing centers of the United States. The price range is the lowest and the highest at a given city. While the range in some cities was wide, very little paper was sold at either the lowest or highest price.

The only sheet newsprint sold on contract in excess of $5.75 per hundredweight was at San Francisco where the Zellerbach Paper Co. sold 2,400 pounds of sheet newsprint to the Belmont Courier, Belmont, Calif., at $7.20 per hundredweight f. o. b. San Francisco, and 3,000 pounds of "Peerless" newsprint to the Gardnerville Record-Courier at $7.50 per hundredweight, less 5 per cent.

A large majority of the 2,500 publishers purchased their requirements of sheet newsprint paper at prices ranging from $4 to $5.50 per hundredweight. Only about 425 publishers consuming about 98 tons of sheet paper during the 7 months covered by the table, or at the rate of about 168 tons per year, paid in excess of $5.50 per hundredweight during 1929. The 425 publishers purchased an average of about two-fifths of a ton of sheet paper per year each, which at the highest price shown ($8.75 per hundredweight), would result in an average newsprint cost of only $70 per year for each publisher.

Ready-print prices.—Mention is made in this report of the fact that a large number of small publishers use ready-print sheets for their newspapers. (See p. 66.) The ready-print is issued in folios (2 pages printed and 2 blank) and in quartos (4 pages printed and 4 blank). It is issued in 5, 6, or 7 column sizes for papers of 4 to 16 pages per issue.

The price of ready print varies with dimensions of the sheets, quantity purchased, and whether with or without advertising. The six column quarto size 30 by 44 inches, weighing 50 pounds to the ream (500 sheets), is the size most used. The following table (No. 24) shows the prices of ready-print sheets by the Western Newspaper Union, four 30 by 44 inch sheets (4 pages printed and 4 blank) from June 1, 1920, to September 30, 1929:

TABLE 24.—*Prices of the Western Newspaper Union for Ready-print 6-column quarto, 30 by 44 inches, 1920–1929*

Quantity (number of sheets)	Effective June 1, 1920		Effective Apr. 1, 1921		Effective since Oct. 1, 1922	
	With advertising, per 100	Without advertising, per 100	With advertising, per 100	Without advertising, per 100	With advertising, per 100	Without advertising, per 100
Under 600	$1.22	$1.65	$1.10	$1.53	$0.92	$1.35
600 to 800	1.18	1.65	1.06	1.53	.88	1.35
800 to 1,000	1.14	1.65	1.02	1.53	.84	1.35
1,000 to 1,200	1.10	1.65	.98	1.53	.80	1.35
1,200 and over	1.06	1.65	.94	1.53	.76	1.35

The above prices are f. o. b. at the various branches of the Western Newspaper Union. Nearly all of the customers of the Western Newspaper Union use the ready-print with advertising. The prices in the last column, effective since October 1, 1922, were still in effect September 30, 1929.

CHAPTER IV

SUPPLY AND DEMAND FACTORS

Section 1. Consumption of newsprint.

No attempt has been made in this inquiry to obtain detailed information as to total consumption of newsprint paper from year to year. The increase in consumption has been rapid, due to the normal growth and prosperity of the country and the enormous increase in the demand for advertising space in the newspapers. If we measure consumption of newsprint by combining the domestic production and imports, deduct exports, and assume that the balancing figure represents the quantity consumed, disregarding the fluctuations of stocks on hand, there were consumed in the United States the following quantities of newsprint paper:

	Tons		Tons
1921	2,000,000	1926	3,515,000
1922	2,451,000	1927	3,458,000
1923	2,778,000	1928	3,561,000
1924	2,821,000	1929	3,794,000
1925	2,955,000		

The estimated consumption for 1921 (2,000,000 tons) was a little below that of 1920. This was probably due to scarcity and abnormally high prices of paper at that time. There was also a general depression of business that year. With the recovery of business generally, the consumption of paper has increased constantly except for the year 1927 which dropped a little below 1926. The balancing figure for 1929 was 3,794,000. The bulk of this paper is consumed by the 14,250 daily, Sunday, and weekly newspapers published throughout the United States.

Section 2. Chain-owned papers.

Fifty-two owners of chains of newspapers publishing 266 daily and 101 weekly newspapers consume approximately 1,490,000 tons of newsprint paper per year. The Scripps-Howard newspapers, comprised of 25 dailies, lead the group in number of papers owned. Mr. William Randolph Hearst and Mr. Ira C. Copley follow, with 22 papers each. The following tabular statement shows the names of the chains, the number of papers owned, and the approximate tonnage of newsprint paper consumed annually by each:

TABLE 25.—*Newspaper chains*

Name of chain	Number of papers		Annual consumption
	Daily	Weekly	
			Tons
Hearst papers	22	-------	540,747
Patterson-McCormick newspapers	2	-------	224,502
Scripps-Howard newspapers	25	-------	158,237
Pulitzer newspapers	2	-------	103,687
Adolph S. Ochs newspapers	3	-------	102,500
Curtis-Martin newspapers	3	-------	60,000
The Gannett Co	15	-------	50,005
Lea-Caldwell newspapers	4	-------	27,000
Booth Publishing Co	8	-------	21,100
Ridder Bros. newspapers	10	-------	23,260
Ira C. Copley newspapers	22	-------	18,609
J. David Stern newspapers	3	-------	17,000
J. C. Schaffer newspapers	5	-------	16,744
James M. Cox newspapers	5	-------	15,000
Bryan-Thomason newspapers	4	-------	14,124
Scripps-Canfield newspapers	11	-------	13,296
Robert Ewing newspapers	2	-------	9,000
S. L. Slover newspapers	3	-------	8,400
Brockhagen newspapers	2	-------	8,100
Lee-Syndicate newspapers	9	-------	6,650
Brush-Moore Newspapers (Inc.)	5	-------	6,510
C. L. Knight newspapers	2	-------	6,375
Federated Publications (Inc.)	3	-------	5,525
Guy P. Gannett newspapers	3	-------	4,888
H. C. Ogden newspapers	10	2	3,365
Frederick I. Thompson newspapers	6	-------	3,138
Bixby newspapers	4	2	3,000
Fentress Marsh newspapers	15	-------	2,734
Osborne newspapers	2	1	2,627
Macy-Forbes newspapers (use book paper) [1]	7	[1] 6	2,218
R. W. Page Corporation	4	-------	2,050
Taylor newspapers	3	-------	1,900
N. B. Black newspapers	3	-------	1,600
John L. Stewart newspapers	5	-------	1,474
James A. Skewes newspapers	3	1	1,260
D. W. Stevick newspapers	3	-------	800
C. L. Rowley newspapers	4	-------	650
C. E. Palmer newspapers	5	5	470
D. W. & P. E. Grandon newspapers	2	-------	400
Lindsay newspapers	2	-------	392
C. F. Ridenour newspapers	3	-------	425
Elam-Lachenmeyer newspapers	3	-------	210
George F. Morrell newspapers	2	4	206
Howe newspapers	3	3	200
Allan Markely newspapers	2	4	115
Edward D. Woodyard newspapers (no figures available on 6 papers)	-------	[1] 13	86
Walter Murray newspapers	2	-------	80
Home News Publishing Co	-------	5	25
Wyoming County Combination	-------	7	24
Golden Rule Publishing Co	-------	29	20
Interstate Newspaper Co	-------	10	12
South Shores newspapers	-------	9	(1)
Total	266	101	1,490,740

[1] Purchases ready print from Western Newspaper Union.

The 22 papers owned by Mr. Hearst consume about 540,000 tons of paper annually. This paper is purchased by two corporations organized for the sole purpose of purchasing supplies for the Hearst papers. The Newspaper & Magazine Paper Corporation, with headquarters in New York City, purchases the paper requirements for the Hearst papers east of the Rocky Mountains, amounting to approximately 446,000 tons annually. This quantity for the year 1929 was purchased on contracts from the following-named companies:

	Tons
Algonquin Paper Corporation	27,000
Wisconsin River Paper & Pulp Co	24,000

	Tons
International Paper Co	140,000
Great Western Paper Co	3,000
Hennepin Paper Co	2,400
Anglo-Canadian Pulp & Paper Mills (Ltd.)	110,000
Brompton Pulp & Paper Co. (Ltd.)	63,000
Lake St. John Power & Paper Co. (Ltd.)	78,000

In addition to supplying the Hearst papers, the Newspaper & Magazine Paper Corporation sells almost 50,000 tons of newsprint to four other papers formerly owned by Mr. Hearst.

The Pacific coast papers owned by Mr. Hearst purchase their newsprint requirements through the American Paper Co. of San Francisco, Calif. Contracts for the purchase of the requirements of these papers, amounting to approximately 115,000 tons during 1929, were with the Crown Willamette Paper Co. The Hearst-owned papers consume approximately 15 per cent of the total newsprint paper consumed in the United States.

The Patterson-McCormick interests, controlling only two papers, the Chicago Tribune and the New York Daily News, consume 224,502 tons of newsprint paper annually. The principal source of supply for the Chicago Tribune is the Ontario Paper Co. (Ltd.), with a mill at Thorold, Ontario, which is also controlled by the Patterson-McCormick interests. The New York Daily News purchases practically all of its requirements from the International Paper Co.

The Scripps-Howard newspapers consume about 158,000 tons of newsprint paper annually, which are purchased from a number of manufacturing companies. The chain, however, has contracts covering its entire requirements.

The New York Times and the Chattanooga Times, owned by Mr. Adolph Ochs, consume well over 100,000 tons of newsprint paper each year. The principal source of their supply of newsprint is the Spruce Falls Power & Paper Co. (Ltd.), of which Mr. Ochs owns 49 per cent of the capital stock.

The chain known as the Pulitzer newspapers owns the New York World (published morning, evening, and Sunday) and the St. Louis Post-Dispatch, of St. Louis, Mo. These papers consume about 103,000 tons of newsprint paper annually.

The five newspaper chains described in the preceding paragraphs consume approximately 1,125,000 tons of newsprint paper annually, or about 30 per cent of the total amount consumed in the United States. The 52 chains listed above as controlling 266 daily and 101 weekly newspapers consume 1,490,740 tons, or about 40 per cent of the annual consumption of the United States.

Section 3. Large daily papers.

From reports direct to the commission combined with information from published sources, there has been compiled a statement covering 100 large daily newspapers in 38 cities of the United States. Sixty-seven of these papers publish Sunday editions. The table shows the name and location of the papers, the approximate tonnage of newsprint paper consumed annually by each as well as the average number of pages and estimated circulation of each issue. The table follows:

TABLE 26.—*Newsprint annual consumption and circulation of selected daily papers*

City and name of paper	Newsprint annual consumption (tons)	Average daily		Average Sunday	
		Number of pages	Circulation	Number of pages	Circulation
Atlanta, Ga.:					
Constitution	8,000	22	92,897	83	133,473
Georgian	5,020	22	66,872	75	133,715
Journal	12,000	33	80,778	90	138,958
Baltimore, Md.:					
American	29,369			81	173,904
News		30	155,103		
Sun (morning)	30,000	23	148,235	109	194,455
Sun (evening)		32	144,124		
Birmingham, Ala.:					
Age-Herald (morning)	13,000	25	55,000	(1)	121,000
News (evening)		49	84,000		
Boston, Mass.:					
Advertiser	31,124			76	505,298
American		24	273,055		
Globe (morning)	46,000	27	140,533	98	346,768
Globe (evening)		26	167,739		
Herald	34,000	31	121,895		
Traveler		28	173,387	100	150,517
Post	43,000	26	390,604	90	349,760
Buffalo, N. Y.:					
Courier-Express	14,000	23	121,201	86	196,232
News	15,000	39	160,267		
Times	16,000	25	115,062	77	222,563
Chicago, Ill.:					
American	134,939	19	559,705		
Herald and Examiner		28	420,900	94	1,272,613
Journal	5,000	29	80,382		
News	58,000	43	432,994		
Tribune	132,502	39	838,423	123	1,235,442
Cincinnati, Ohio:					
Inquirer	14,233	25	73,519	120	184,000
Post	11,062	22	197,151		
Times-Star	18,500	36	161,603		
Cleveland, Ohio:					
News	20,000	26	162,813	66	204,419
Plain Dealer	28,000	27	209,777	103	296,884
Press	20,000	32	210,270		
Columbus, Ohio: Dispatch	14,000	42	125,000	100	110,000
Dallas, Tex.:					
News	10,150	23	88,050	78	105,109
Times-Herald	6,600	28	65,000	(1)	(1)
Dayton, Ohio:					
Daily News	8,000	35	27,233	100	49,458
Herald	10,000	28	50,000	64	48,000
Journal		14	27,000		
Des Moines, Iowa:					
Register	18,500	19	112,856		
Tribune-Capital		25	117,213	80	177,754
Denver, Colo.: Post	23,000	35	162,723	108	261,511
Detroit, Mich.:					
Free Press	25,000	25	226,508	113	309,826
News	65,000	44	333,585	132	382,857
Times	32,764	32	299,927	93	381,472
Fort Worth, Tex.: Star-Telegraph	8,500	21	110,407	64	132,605
Houston, Tex.: Chronicle	10,000	(1)	90,000	(1)	100,000
Indianapolis, Ind.:					
News	13,000	37	136,263		
Star	12,500	21	108,505	89	155,661
Kansas City, Mo.:					
Journal Post	8,500	20	132,016	67	140,311
Star (morning)	52,000	26	269,574	92	303,967
Star (evening)		24	269,832		
Los Angeles, Calif.:					
Examiner	38,439	37	204,245	128	446,526
Express	10,000	27	143,077		
Herald	20,216	39	229,159		
News	3,900	14	100,572		
Record	2,500	17	60,000		
Times	30,000	37	162,959	138	246,453
Louisville, Ky.:					
Courier-Journal	17,500	22	103,868	91	158,120
Herald-Post	6,000	(1)	85,199	(1)	73,835
Memphis, Tenn.:					
Commercial Appeal	15,000	23	113,098	97	142,595

[1] Not available.

TABLE 26.—*Newsprint annual consumption and circulation of selected daily papers*—Continued

City and name of paper	Newsprint annual consumption (tons)	Average daily		Average Sunday	
		Number of pages	Circulation	Number of pages	Circulation
Milwaukee, Wis.:					
Journal	21,000	31	169,039	99	219,495
Wisconsin News	6,500	31	101,219		
Minneapolis, Minn.:					
Journal	13,750	27	116,925	90	161,813
Tribune (morning)	14,280	26	72,263	91	170,704
Tribune (evening)		26	65,871		
Newark, N. J.: News	20,000	39	145,585		
New Orleans, La.:					
Daily States	9,000	22	51,521	(1)	93,126
Times-Picayune	12,000	31	96,748	98	138,170
New York, N. Y.:					
American	123,723	31	200,919	100	1,121,539
Journal		34	634,483		
Brooklyn Times	7,000	18	106,785	(1)	110,026
Herald Tribune	60,000	35	327,238	161	440,142
News	92,000	46	1,319,654	79	1,546,505
Post	10,000	31	105,580		
Sun	35,000	38	307,707		
Telegram	15,000	23	205,400		
Times	100,000	45	437,367	173	752,689
World (morning)		28	351,862	98	576,660
World (evening)	71,713	30	304,242		
Oakland, Calif.:					
Post-Enquirer	4,538	32	60,172		
Tribune	12,000	46	83,000	120	83,000
Omaha, Nebr.:					
Bee-News	9,500	23	116,076	89	123,699
World-Herald	12,150	24	131,716	75	132,709
Philadelphia, Pa.:					
Bulletin	64,000	36	555,753		
Evening Ledger	50,000	27	204,329		
Public Ledger		26	138,726	90	492,390
Inquirer	57,000	27	278,158	109	508,538
Record	13,300	21	130,024	70	121,602
Pittsburgh, Pa.:					
Sun-Telegraph	25,648	31	175,625	94	354,346
Post-Gazette	18,800	28	233,026		
Press	40,000	38	222,868	111	282,266
Portland, Oreg.:					
Journal	9,000	23	105,601	61	134,540
Oregonian	[2] 12,000	22	109,123	82	172,036
Richmond, Va.: News-Leader	5,370	32	72,100		
St. Louis, Mo.:					
Globe-Democrat	25,000	25	278,894	82	263,481
Post-Dispatch	34,000	37	243,276	112	349,619
Star	5,150	21	143,590		
St. Paul, Minn.:					
Dispatch	13,000	25	89,523		
Pioneer Press		21	74,597	81	139,879
Daily News	5,224	19	88,992	54	60,647
Seattle, Wash.: Post-Intelligencer	9,926	29	99,951	94	164,225
San Francisco, Calif.:					
Call-Post	8,108	34	112,184		
Chronicle	15,000	30	98,528	109	162,176
Examiner	33,262	33	188,591	132	380,133
Call-Bulletin	8,108	33	115,012		
News	7,500	38	92,119		
Toledo, Ohio: Blade	12,800	31	134,018		
Washington, D. C.:					
Herald	11,816	20	61,967	72	139,675
Star	15,824	36	105,290	110	111,314
Total	2,348,808	[3] 29	19,455,495	[3] 96	19,093,209

[1] Not available. [2] Estimated. [3] Average.

The above-named papers represent the largest papers of the country, but it should be noted that many of the papers listed in Table 26 are also included in the chain-owned papers (Table 25). They have a total daily circulation of 19,454,495 and 19,093,209 on Sundays. The average number of pages of the daily issues is 29, while the Sunday issues average 96 pages. These papers consume approximately 2,350,000 tons annually, or about 64½ per cent of the total newsprint paper consumed in the United States. The sizes of the daily papers range from 14 to 46 pages, while the sizes of the Sunday papers range from 61 to 173 pages. The circulation of the dailies range from 27,200 to 1,320,000 copies. The circulation of the Sunday papers listed above range from 48,000 to 1,546,000 each issue. All of the above-named papers have contracts with newsprint-paper manufacturers covering their paper requirements.

Section 4. Small daily and weekly papers.

There are approximately 12,000 weekly papers as well as hundreds of small daily papers published in the United States, most of which consume too small a quantity of newsprint paper to buy in carload lots. With few exceptions, manufacturers do not solicit less than carload sales. Among the difficulties experienced by small publishers in dealing direct with the manufacturer is the matter of establishing favorable credit relations. The manufacturer usually demands payment during the month for the previous month's deliveries of paper. This often works a hardship on the small publisher. Many of the small papers consume only a few tons annually, and even where the publisher consumes as much as a carload (about 25 tons) per year, the question of storing the paper prevents him from purchasing such quantity in one shipment. Small publishers who can not find a manufacturer to supply their requirements in less than carload shipments must go either to the jobbers or combine with their neighbors in cooperative buying. In dealing with jobbers, the small publisher can usually arrange more favorable terms of payment.

The International Paper Co. during 1929 entered into contracts to supply newsprint to publishers requiring deliveries of less than carload lots. The company had 70 such customers requiring paper in quantities ranging from 1¼ tons to 124 tons each. The individual shipments ranged from 250 pounds to 7 tons. The total less than carload lot contract sales by the International Paper Co. during 1929 was 1,200 tons. These customers were located in the Boston and New York sales divisions and, it should be noted, were not far from the company's mills.

Comparatively few small publishers use newsprint in rolls. The vast majority of them use sheet paper. During this investigation information was received from jobbers and paper merchants showing their contract and open-market sales to small publishers. The contract tonnage represents the estimated requirements for the full year, 1929, while the open-market tonnage was the actual quantity delivered during the first seven months. While the information is not complete as to all jobbers, it is believed to be representative. From this information figures have been compiled, showing the following results:

Jobbers' sales to small publishers

	Number	Tons
Rolls:		
On contract	43	5,968
Open market	179	3,257
Sheets:		
On contract	90	464
Open market	2,427	5,031
Total	2,739	14,720

From these figures it will be seen that jobbers supplied on contracts, 43 small publishers using rolls and 90 publishers using sheet paper, while on the open market they supplied 179 publishers using rolls and 2,427 small publishers using sheet paper. The 43 publishers using roll paper which they purchased on contract consumed an average of over 138 tons each per year. It would appear that these publishers could have purchased their paper in carload lots at lower prices had they dealt direct with the manufacturers. The 179 publishers using rolls supplied by the jobbers on open-market sales consumed an average of approximately 31 tons each per year. While this quantity represents a carload or more, the storage and preservation problems prevent many publishers from purchasing a year's requirement of paper in one shipment, and it was probably necessary for them to purchase from the jobbers at jobbers' prices. The 90 publishers whom the jobbers supplied with sheet paper on contract consume an average of a little over 50 tons, or about two carloads each. To have purchased direct from some manufacturers they would have been required to purchase a 6-months' supply in one shipment, which would have raised the question of storing the paper. The 2,427 sheet-newsprint users purchasing direct from the jobbers in the open market consumed 5,031 tons during the first seven months of 1929, or an average of about 3½ tons each per year.

The publishers shown in the detail above purchase their newsprint requirements in 47 cities located throughout the United States. For further details of these purchases, see pages 57 and 58.

Combining the 2,517 small publishers purchasing sheet newsprint from jobbers with the 2,577 weekly newspapers using ready-print paper for their publications, this investigation has established that 5,094 small daily and weekly newspapers consume approximately 13,667 tons of paper, or an average of less than 2¾ tons each per year.

Ready-print sheets.—Many weekly newspapers use ready-print sheets for their publications. There are six companies in the United States furnishing ready-print sheets to small papers, the largest of which is the Western Newspaper Union, with headquarters at Omaha, Nebr. This company operates 34 branches located in the principal cities of the country and supplies ready-print sheets to 2,854 papers published in every State in the Union. Details of paper consumed were secured from 31 of the 34 divisions serving ready-print paper to newspapers. These 31 divisions consumed 4,963 tons of newsprint paper during 1928 and 3,431 tons during the first nine months of 1929. On October 5, 1929, these 31 divisions were serving

2,577 weekly newspapers. On the basis of these figures, the average weekly newspaper using ready-print consumes about 1¾ of a ton of newsprint paper each year.

The second largest company furnishing ready-print sheets is the Montana Newspaper Association, Great Falls, Mont. On September 1, 1929, the association was serving 81 weekly newspapers published in Montana with combined circulations of 51,356 each issue. During 1928 the association purchased 104⅗ tons of sheet newsprint paper for its use in preparing ready print. This paper was purchased from the Inland Empire Paper Co., of Millwood, Wash., at an average delivered cost of $80.24 per ton, including freight at 58 cents per hundredweight from Millwood to Great Falls. During the first nine months of 1929 the association purchased 66 tons of sheet paper from the Inland Empire Paper Co. at a delivered cost of $76.60 per ton.

Prices of ready-print sheets have been previously discussed. (See p. 59.)

Section 5. Cooperative buying.

The matter of cooperative buying could be handled by the various publishers' associations for their respective members. The commission wrote to 60 publishers' associations requesting information as to what had been done to assist their members in the purchase of newsprint paper. The majority of these associations replied that they had not done anything along this line. A few replied that the matter had been discussed at their meetings but that no definite action had been taken.

The president of the Associated Dailies of Florida, Tampa, Fla., replied as follows:

> The matter of newsprint paper has been discussed from time to time at the meetings of the Associated Dailies of Florida, but the organization has never taken any action of any kind in regard to the purchase of newsprint by its members, nor has there been any correspondence or negotiations with manufacturers or jobbers.

Mr. Fred W. Kennedy, manager of the Washington Press Association, Seattle, Wash., wrote:

> Washington Press Association has upon numerous occasions discussed the possibility of cooperative buying of newsprint, but such proposal has never developed into action.

Mr. Sam S. Haislet, field manager of the Minnesota Editorial Association, Minneapolis, Minn., stated substantially as follows:

> Cooperative buying among the small purchasers has been given a fair trial and has never proven a success. The savings resulting therefrom are small, because even though there might be a reduction of $25 or $30 a ton because of the carload order, it would mean only a few dollars a year to the small user. The question of credit has always hampered such movements, because the pool-order purchaser refused to assume the obligation, and that is why the jobbers remain in the picture. They are equipped to carry the purchaser's account and to keep their salesmen continually cleaning up the delinquent accounts.

In an interview with one of the attorneys of the commission, Mr. H. C. Hotaling, secretary of the National Editorial Association, St. Paul, Minn., made, in substance, the following statement:

> In Minnesota there are 490 weekly and semiweekly issues, and about one-half of these are members of the National Editorial Association. None of them engage in cooperative buying of paper. That method has been discussed and tried at various times, but it has not been successful. There is one place that I know of where the small newsprint users are pooling their orders. That is at Columbia, Mo., and it is operated by the Missouri Press Association at that place.

Missouri Press Association.—The Missouri Press Association is one of only two publishers' associations that purchase newsprint for their members on a cooperative basis. Mr. J. C. Hubbard, of Columbia, Mo., is the executive secretary of the association and explained the process of cooperative buying. According to Mr. Hubbard's statements the association adopted a method of cooperative buying of newsprint paper in 1922 so that "the small publishers could have the benefits of a direct contact with the manufacturers rather than buy through a jobber at a much higher price." Arrangements were made with the Dells Paper Co., of Eau Claire, Wis., for the purchase of newsprint paper for the group. Paper has been purchased from this one company since 1922. Only 50 members of the association have taken advantage of the cooperative buying arrangements. These are located near Kansas City and St. Louis. During the course of the interview Mr. Hubbard made statements substantially as follows:

> The cooperative purchasing plan is simple in its operation, and therefore easily explained. It is essential first to establish a central point of distribution so that a greater number will be served from this central point. In Missouri I have the cars of paper consigned to the association at Kansas City or St. Louis. At each of these points I have arranged with warehouse companies to store the balance of paper left in a car. This is sometimes necessary, because I have standing orders with the mill to ship four cars a year into Kansas City and eight cars a year into St. Louis. Should any of the members fail to take their allotments, then the paper goes into storage until such time as we receive an order for its shipment. The paper thus stored is then placed for shipment by the storage companies. The storage companies charge us $5 a month for the first month for any paper stored. From and after the first month they charge us so much per bundle. Each of these storage companies charge us $1.20 a ton for handling the paper from car to depot or from the warehouse to depot. These companies, of course, haul, store, and ship the paper as ordered by me.
>
> I have been paying $3.35 f. o. b. mill for sheets and $3 f. o. b. mill for rolls. This is the price at Eau Claire, Wis., and the freight from that point to St. Louis is 24½ cents per hundredweight and 30 cents per hundredweight to Kansas City. These charges are paid by the association, so that the paper costs the association on board cars at St. Louis $3.595 for sheets and $3.245 for the rolls. Paper on board cars at Kansas City costs the association $3.65 for sheets and $3.30 for the rolls. To the f. o. b. price on our Kansas City shipments I add 60 cents per hundredweight to cover the freight from the mill and also to cover the incidental expenses involved, and this gives us the f. o. b. Kansas City price that the member has to pay. The sheets are $3.95 f. o. b. Kansas City and the rolls are $3.60.
>
> The shipments into St. Louis are figured on the same basis, except that we add 50 cents to the f. o. b. mill price instead of 60 cents. The purchasers then pay the less than carload lot freight rate from either Kansas City of St. Louis to their respective towns. Some publishers now buying paper from the association use about one-half ton every two months, others 1 ton every two months, and the balance of the members use about 1 ton each month. Regardless of the amount purchased by our members, they all pay the same price for the paper. That is the reason for cooperative buying, to insure as low a cost to the small user as to the large, and therefore we have but one price for all purchasers.
>
> The saving to the customer amounts to between 50 and 70 cents per hundredweight. When we use 12 cars each year, and 1 car contains approximately 25 tons, that gives us a total of 300 tons of paper purchased each year. The saving to the customer is averaged at 60 cents per hundredweight, or $12 on each ton, so that the 50 customers saved $3,600 in the year 1928, or about $72 each on an average.

Pennsylvania Newspaper Publishers' Association.—For several years the Pennsylvania Newspaper Publishers' Association has had a contract with the International Paper Co. for the purchase of newsprint paper for its members on a cooperative basis. The current contract provides for the purchase of 300 tons per year. The purchase price for 1929 was $62 per ton for rolls and $67 per ton for sheets f. o. b. Lansdale, Pa. On shipments to points outside of Lansdale 35 cents per hundredweight or $7 per ton is added to the cost to cover compensation, expense, and less than carload lot freight from Lansdale to local delivery point. A local truck firm makes deliveries at the same rate as would be charged by the railroad companies. The farthest point of delivery from Lansdale is 35 miles. Only 14 members of the association are taking advantage of the cooperative buying arrangements. Six of these use sheet paper, consuming about 48 tons per year. The remainder use rolls. Two of the members require sufficient quantities to receive carload lots and get shipments direct from the mill with freight allowed to destination.

Mr. Walter L. Sanborn, of the association's paper committee in charge of cooperative buying, stated substantially as follows:

> Many competitors of the International Paper Co. have approached me with propositions about newsprint. I have been treated very well by the International Paper Co. and intend to continue purchasing from them.

Cooperative ready-print making.—Pursuant to reports that E. L. McDonald, of Oregon, Mo., was preparing to organize the small publishers of northwest Missouri for the purpose of cooperative buying of newsprint paper, he was requested to furnish information as to what he had done in this matter. Mr. McDonald replied in part as follows:

> Some time ago the newspapers of northwest Missouri began working on a plan to organize a stock company to place a printing plant in St. Joseph where city advertising, etc., would be printed on the inside pages. In other words, it is a plan by which papers using "ready prints" would change to "all home print," but instead of doing it individually they would do it collectively or cooperatively. We also expect to buy print in car lots from the mills, if a sufficient number of publishers wish this service—this would be for members of the company who desire to do their own printing. While virtually enough members have been secured to form the organization the preliminary work has not been completed as yet.

Section 6. Importance of the newsprint item in the cost of publishing a paper.

During the investigation the question arose as to just how important the cost of newsprint was to the publisher and what proportion it bore to the total cost of publishing a newspaper. The commission received reports from 100 daily and weekly newspapers of varying circulations. The same questions were answered by each newspaper. After a few preliminary questions relating to the name, location, size, circulation, quantity of print paper consumed annually, and price paid during 1929, each paper was asked to state the delivered in the pressroom cost of newsprint consumed in a definite period, and the total cost of publishing the newspaper for the same period. All of the reports did not necessarily cover the same period. Some of the periods covered were less than a year and for this reason the newsprint cost divided by the annual consumption of paper would not reflect the price paid for the paper. No attempt has been made to verify the figures reported by the publishers nor was there any inquiry made as to the method used to determine the cost figures. The composite statement presented here was compiled from the reports as received direct from the publishers. The newspapers were grouped according to circulation. The table follows:

TABLE 27.—*Newsprint cost compared with total cost of publishing paper*

Groups with circulation of—	Number of papers	Total daily circulation	Pounds of newsprint per 1,000 circulation	Annual consumption (tons)	Newsprint cost	Total cost publishing paper	Average per cent	Range per cent	Range of price
I. 400,000 and over	7	4,638,690	678	573,626	$38,282,793	$103,911,953	37	31–40	$62.00–$66.64
II. 200,000–400,000	7	1,774,475	724	234,382	13,821,303	40,476,043	34	27–39	59.80–63.50
III. 150,000–200,000	8	1,415,149	783	202,262	11,3.8,300	35,588,612	32	26–40	60.00–65.00
IV. 100,000–150,000	15	1,736,824	594	183,237	10,492,589	37,271,452	28	24–33	55.92–65.00
V. 50,000–100,000	16	1,235,610	542	122,265	7,826,199	26,815,205	29	20–3:	56.00–68.00
VI. 25,000–50,000	14	508,990	342	31,760	1,871,912	9,080,068	21	11–29	55.50–66.20
VII. 10,000–25,000	13	229,447	234	9,772	605,130	3,541,309	17	13–24	55.00–66.00
VIII. Less than 10,000	5	29,430	274	1,450	98,901	701,284	14	12–19	58.00–77.00
IX. Weekly papers,[1] 1,000–50,000	15	130,160	146	494	35,029	227,102	15	6–30	63.00–110.00
Total	100	11,698,775		1,359,248	84,362,156	257,613,028	33	6–40	55.00–110.00

[1] Includes two small dailies which could not be segregated.

Attention is invited to the fact that this statement shows that the larger publications' paper costs are higher in proportion to their total publishing costs than the smaller papers, and that the percentages of newsprint costs in relation to entire costs shows a relatively uniform decrease as the circulation decreases. This probably is due to the fact that costs other than newsprint costs do not decrease in proportion to newsprint cost decreases. In fact, the average percentage decrease in costs other than newsprint, figured for each group in relation to its next preceding group, is 40⅕ per cent, while, computed on the same basis, the average decrease in newsprint costs is 52 per cent. Reports from seven large daily papers, each with a circulation of more than 400,000, show that their newsprint-paper costs ranged from 31 to 40 per cent of their total costs, with an average of 37 per cent for the group. The second group (200,000–400,000 circulation) ranged from 27 to 39 per cent, with an average of 34. The average for each group was lower than the next preceding, except that of Group V, which was one point above Group IV, and that of Group IX (the weekly papers), which was one point above Group VIII. The lowest relative cost of newsprint paper compared to total publishing cost is shown for the small daily papers having circulations of less than 10,000 per issue. The range in this group was 12 to 19 per cent, with an average for the group of 14 per cent.

Section 7. Domestic sources of pulp.

The manufacture of newsprint paper constitutes an important department of the paper and pulp industry, which in turn is one of the rapidly increasing number of industries which use cellulose as a base. Cellulose is the skeleton structure of a variety of raw materials, and is obtained in the form of plant fibers. The rapid

strides that have been made in adapting the so-called waste products to useful ends, therefore, give rise to the belief that eventually any kind of paper can be made from almost any kind of fibrous raw material.

Farm waste products.—Extensive experiments carried on by Federal Government agencies have already established the practicability of pulping such farm wastes as cornstalk, bagasse (sugarcane), straw, and others, as well as zacaton and many varieties of reeds and swamp grasses. The utilization of these materials, however, has been found to be commercially successful in the manufacture of wall board, known under various trade names as "Celotex," "Upson Board," "Maconite," "Insulite," etc. These products require no bleaching; no elaborate cleaning equipment is necessary, and strength of the fiber is not so essential as in the production of paper. While good grades of paper have been made in laboratories from these materials, the processes have been costly.

Dr. C. E. Curran, senior chemist of the Forest Products Laboratory, United States Department of Agriculture, in a recent paper states that:

> Although we admit that paper pulp can be produced from any fibrous raw material, no source of cellulose that can compete with wood, either from the standpoint of suitability for most types of pulp or of cost per unit weight has yet appeared. While it is true that certain of the so-called "pulpwoods" are becoming scarce and high priced because of the prodigal way in which they have been consumed, it is also true that these species are few in number and that behind them there is a tremendous reservoir of other woods, less favored for the time being, which at present are not utilized extensively for pulp, but just the same are compact sources of cellulose, needing merely proper technical handling to give them pulping value. (Southern Lumberman, December 15, 1929, p. 221.)

The determining factor in the selection of raw materials for the manufacture of newsprint is purely an economic one. It appears, therefore, that unless some new processes are developed we must look to the forests for the perpetuation of our newsprint supply.

Forest wastes.—The Forest Service of the United States Department of Agriculture has made a study of the pulpwood situation (see Bulletin No. 1241), in which a comparison between the forest resources of Sweden and those of the United States is made. While the range of species now considered suitable for pulp in the United States is only about 55 per cent of the present stand of timber and that of Sweden is practically 100 per cent, the forest acreage of the United States, exclusive of Alaska, is approximately eight times that of Sweden. Furthermore, the average annual growth in Sweden is only 24 cubic feet per acre, while that estimated for the United States is 58 cubic feet. (Ibid., p. 63.) Nevertheless, besides supplying all of its own requirements Sweden exports large quantities of newsprint, pulp, and other forest products, while the United States exports practically none and imports more than half of its requirements.

Swedish pulp and paper competes in American markets with domestic and Canadian products, notwithstanding a long ocean haul. Although lower labor cost is undoubtedly a factor in this, it is commonly understood that the real reason is the efficiency of Swedish methods. The Swedish forest industry is supervised and based strictly upon a succession of forest crops, whereas the United States

is decreasing its supply by use and loss at a rate which it is claimed will wipe it out in 45 years. (George G. Wheat, Pulp and Paper Magazine, January 2, 1930, p. 6.) The following is quoted from the United States Department of Agriculture Bulletin No. 1241, page 62:

> In Sweden * * * most of the large sawmills have box factories, planing mills, charcoal plants, and finally sulphite and sulphate pulp mills, which operate partly on logging and sawmill waste and partly on logs which can not be sawed profitably into lumber. These groups of mills operate under single control, so that it is possible to divert logs from one product to another as conditions warrant. It is reported, in fact, that the entire Swedish pulp and paper industry, one of the most important in the world, operates incidentally to a forest management designed for saw-timber growing. No wood is cut primarily for the Swedish pulp mills. Thinnings are made to meet the requirements of the forests, and this, with poorer logs and sawmill waste, constitutes the entire supply of raw material for pulp.

Northeastern and North Central States.—Since spruce, poplar, balsam fir, pine, and hemlock, which are best adapted to the pulping processes commonly used, were found in abundance in Northeastern and North Central United States and adjacent Canadian territories, the newsprint industry has localized in these sections. The water power necessary to the development of the industry was an additional factor in determining these locations. As the supply of these woods diminished, the mills followed the retreating forests into Canada, until at the present time the bulk of newsprint required by publishers in the United States is furnished by Canada. While a considerable proportion of the newsprint consumed in the United States is still produced in New England, New York, and Minnesota mills, much of it is manufactured from imported woodpulp and pulpwood. However, efforts are now being made to reforest the cut-over areas in these States.

Pacific Northwest.—Extensive newsprint manufacturing operations have been developed in Washington and Oregon, where there is a considerable supply of western hemlock and spruce which have also been found suitable for conversion into mechanical and sulphite pulp by the processes commonly used. Experiments are now being carried on in the forest-products laboratory at Madison, Wis., by the United States Department of Agriculture in cooperation with the University of Wisconsin for the purpose of developing a process which can be applied to the production of pulp from Douglas fir, of which there is a vast stand in Washington, Oregon, and northern California. It is estimated by the Forest Service of the Department of Agriculture that there now exists a stand of approximately 8,000,000 cords of this species which will become available for conversion into newsprint immediately upon the perfection of a suitable process.

Southern States.—The estimated timber stand in the Southern States is in excess of 200,000,000,000 cubic feet, or nearly 30 per cent of the total stand in the United States, excluding Alaska. (Department of Agriculture Statistical Bulletin No. 21, p. 9.) The semichemical process is particularly applicable to southern hardwoods and gums, and it is claimed that these species can be supplemented by a large proportion of southern pine to make a satisfactory newsprint pulp.

With the recent economic development of the South a part of the pulp and paper industry has already moved into the Southern States,

and as the industrial development of this region progresses, the newsprint industry will probably follow. It is asserted by one authority that "reliable information exists that a price of $70 per ton for newsprint would at once make available newsprint from the Southern States and in very large amounts as rapidly as plants could be built." (Geo. G. Wheat in Pulp and Paper Magazine, January 2, 1930, p. 30.)

Alaska.—The opportunity which Alaska offers to the newsprint industry should be of special interest to the publishers. Situated within 600 miles of Seattle and accessible by means of water transportation facilities through protected inland waterways, and possessing the necessary natural resources for the newsprint industry, southeastern Alaska should eventually play an important part in its development. Within the last few years the Tongass National Forest has been opened, and the United States Forest Service has awarded two large pulpwood projects to American manufacturers. The commercial timber standing on the Tongass National Forest is estimated at 78,500,000,000 board feet.

Each of these projects provides for the maintenance of a perpetual supply of timber within a specified area—

> * * * under the Government's policy of limiting sales for the regional wood-using industries to a total cut no larger than can be maintained in perpetuity by the growth of timber.

The terms of the awards require the building of paper mills which within a period of 10 years will have capacities approximating the maximum sustained yield of the areas awarded. This capacity in each of the two projects is not less than 400 tons and not more than 500 tons of paper daily, and the immediate requirements are mills of 200 tons daily capacity to be completed before April 1, 1932.

The combined timber allotments of both of these projects represent about 10,000,000,000 board feet, or less than 15 per cent of the total resources of the Tongass National Forest, all of which is available for development under similar arrangements.

The following are among the advantages featured by the Forest Service in its Sale Prospectus dated January 15, 1927 (in substance):

1. An abundance of water power "which can be developed at a low cost per horsepower." The Federal Power Commission, in cooperation with the Forest Service and other Federal agencies, has made both land and aerial surveys of many water-power sites in this territory. The characteristic power site as described is featured by a "high head, short conduit distance, good water storage in a natural high lake, heavy run-off per square mile due to heavy precipitation, accessibility of the project to navigable water, and the opportunity to locate the industrial plant at the power-house site or within a short transmission distance." (Sale Prospectus by Forest Service, January 15, 1927, p. 8.)

2. Cheap logging cost and cheap local transportation. Fully 95 per cent of the timber in this region is of species suitable for newsprint paper, and it is estimated that 75 per cent of all the commercial timber is within 2½ miles of navigable water and below an elevation of 1,500 feet. Timber can be handled in full tree lengths from the stump to the mill. After being placed in the water it can be bundled into simple rafts and towed by small tugs through the protected waters of this region to the mills.

3. Assurance of a permanently available supply of timber; practically no investment in stumpage; the timber to be paid for in small installments as it is cut; prices which are fixed for the first 10 years and which can not be raised thereafter beyond the actual value of pulpwood stumpage in southeastern Alaska, with full allowance for the competitive character of the industry; and minimum taxation rates. The fire risk is low due to heavy precipitation. The industry is on American soil and the products can go into American markets without danger of tariffs, embargoes, export duties, etc.

Transportation of paper.—The Sale Prospectus issued by the Forest Service January 15, 1927, states that—

> Shipping men are of the opinion that the rates per ton on newsprint in rolls and for full cargo shipments direct from southeastern Alaska mills would be about as follows: To Seattle, $4; to San Francisco, $6; to Gulf ports, $12 to $13.

Powell River Co. (Ltd.), having a newsprint mill at Powell River, 80 miles north of Vancouver. British Columbia, sells newsprint to publishers in Oklahoma at $49.20 per ton f. o. b. mill equal to a delivered cost to the publisher of about $65 per ton. The Powell River Co. also sells newsprint to publishers in Texas at $58 per ton c. i. f. Houston, indicating a difference of $8.80 per ton to cover ocean freight. On this basis, and assuming the use of river-barge service on the Mississippi and its tributaries, Alaskan newsprint mills could compete with Canadian manufacturers as far up the Mississippi and tributary rivers as St. Louis, Kansas City, and Cincinnati. In this connection the Interstate Commerce Commission has furnished a schedule of rates on newsprint paper from New Orleans to various points in the Mississippi Valley as follows:

Statement of rates on newsprint paper, carloads, from New Orleans, La., to various points, routing in connection with the Mississippi-Warrior service (Federal barge line)

[Rates in cents per 100 pounds]

To—	Domestic	Import	On traffic moving via Panama Canal
Cincinnati, Ohio	[1] [2] 44½	[1] [3] [4] 29	[1] [2] [5] 33
Chicago, Ill	[1] [6] [2] 47½	[1] [3] [4] 36	[1] [5] 33
Little Rock, Ark	[1] [6] [2] 49½	[1] [3] [4] 32	
Kansas City, Mo	[2] [10] 77	40½	
Oklahoma City, Okla	[2] [10] 92	40½	
	[2] [10] 91½	40½	

[1] Via barge to Cairo or East St. Louis and rail beyond.
[2] Minimum weight, 36,000 pounds.
[3] Sixth-class rate.
[4] Minimum weight, 40,000 pounds.
[5] Applicable on paper, newsprint, containing not less than 60 per cent ground wood (not including newsprint paper that has passed through further process after its original manufacture), minimum weight, 40,000 pounds.
[6] Not applicable to stations on or via the following roads: Baltimore & Ohio (W. L.); Chesapeake & Ohio; Chicago & Erie; Cleveland, Cincinnati, Chicago & St. Louis; Grand Trunk (W.); Michigan Central; New York Central (W.); New York, Chicago & St. Louis (Clover Leaf district); Pere Marquette; Pennsylvania (W. L.); or Wabash.
[7] Applicable on traffic imported from insular possessions of United States, Panama Canal Zone, Philippine Islands, Porto Rico, Tutuila (American Samoa), and the Virgin Islands, and all foreign countries except Europe, Africa, and Canada.
[8] Applicable only to stations on or via the following roads: Baltimore & Ohio (W. L.); Chesapeake & Ohio; Chicago & Erie; Cincinnati, Indianapolis & Western; Cleveland, Cincinnati, Chicago & St. Louis; Grand Trunk (W.); Michigan Central; New York Central (W.); New York, Chicago & St. Louis (except Clover Leaf district); Pere Marquette; Pennsylvania (W. L.); or Wabash.
[9] Applicable on traffic imported from Europe and Africa.
[10] Fifth-class rate.

From the above, it may be noted that if Alaskan newsprint can be delivered to New Orleans through the Panama Canal at $58 per ton, it can be sold in Cincinnati and even in Chicago at $64.60 per ton. The current delivered price in these two cities is $62. The increase proposed by the governments of the Provinces of Quebec and Ontario would establish a price of $67 per ton, giving Alaskan paper an advantage.

While no estimates of ocean rates from Alaska to the Atlantic coast ports have been received by the commission, it would seem that Alaskan newsprint should compete with Eastern United States and Canadian mills well up the Atlantic coast.

CHAPTER V

COMPETITIVE CONDITIONS IN THE NEWSPRINT INDUSTRY

Section 1. Methods of selling.

Some Canadian newsprint manufacturers sell paper in the United States principally through the medium of selling companies. These companies, usually designated to sell the entire production of the mills represented, are, with two exceptions, Canadian companies. Their salesmen enter the United States, solicit business, and represent themselves as agents of the selling companies. Contracts entered into with publishers in this country are signed by the publishers and forwarded to Canada where they are approved by the signature of the selling company's president. A copy is then returned for the publisher's file. All invoices and bills are received from the selling companies and payments are made direct to them. Railway waybills and bills of lading for shipments to United States publishers, state thereon that the selling companies are the shippers. The manufacturing companies load the paper on board the cars and it is shipped and sold on an f. o. b. mill basis with full freight allowed by the seller. The purchaser pays the freight and it is then deducted from his monthly invoice.

Canadian manufacturing companies and their affiliated selling companies operating substantially as outlined above are:

Manufacturing companies:
St. Lawrence Paper Mills Co. (Ltd.), Montreal, Quebec.
Beaver Wood Fibre Co. (Ltd.).
Selling company—
St. Lawrence Sales Co.:
Canadian Cement Building, Montreal, Quebec.
Canadian Pacific Building, New York, N. Y.

Manufacturing company:
Price Bros. & Co. (Ltd.), Quebec, Quebec.
Selling company—
Price Bros. Sales Corporation, 420 Lexington Avenue, New York, N. Y.

The Abitibi Power & Paper Co. (Ltd.), Iroquois Falls, Ontario, has a verbal agreement with the George H. Mead Co., an Ohio corporation with offices located at Dayton, Ohio. The Mead Co., pursuant to this agreement, sells the Abitibi Power & Paper Co. (Ltd.'s) paper to the United States publishers on contracts signed by the publishers and the appropriate officer of the George H. Mead Co. The contracts, on standard form, state that the paper will be purchased in Canada for the publishers. Salesmen employed by the Mead Co. travel through the several mid-western and central Southern States seeking contract and spot tonnage business.

The Mead Co., after having received orders or having entered into contracts with publishers, sends orders to the Abitibi Power & Paper

Co. in Canada setting forth the tonnage to be shipped, to whom, when, and where. The mill after receiving an order will then load the paper into railway cars and consign them to the individual United States customers. The paper is shipped f. o. b. mill with full freight allowed by the seller. Upon arrival of the cars at the publisher's destination, the publisher pays the freight and the Mead Co. deducts the amount so paid from the customer's monthly bill.

Waybills and bills of lading traveling with the cars have stamped thereon: "Shipped by Abitibi Power & Paper Co. (Ltd.), for account George H. Mead Co."

The mill invoices and bills the Mead Co. for each day's shipment. The Mead Co. pays the mill semimonthly. All invoices, bills, and contracts that the publisher receives are sent by the George H. Mead Co., of Dayton, Ohio. Payments for the paper are made to that company and all claims for damage or shortage of paper are handled with the Mead Co. There is apparently no contact whatever between the Canadian mill and the purchaser located in the United States.

The Mead Co. at the present time adds $1.50 a ton to the price charged it by the Canadian mill. This amount is added to every ton of paper sold by it. This, according to the executives of the Mead Co., does not constitute a commission but represents only the difference between the cost and the Mead Co.'s selling price. They further state that the Canadian mill does not dictate the price at which the Mead Co. will sell the paper, but, of course, the Canadian mill does dictate the price which the Mead Co. will pay it for the paper, and in this way the Canadian company indirectly controls the Mead Co.'s selling price. Publishers' contracts are not signed by any representative of the Abitibi Power & Paper Co., and, so far as could be ascertained, none of its salesmen solicit business in the United States.

The Mead Co. assumes all credit risk with the publishers to whom it sells. Payment to the Canadian mill for paper shipped pursuant to the Mead Co.'s orders is made whether or not the Mead Co. has received payment from the publishers.

The St. Maurice Valley Co. (Ltd.) sends its salesmen into the United States, and contracts for the paper sales secured by them are signed by the officers of that company in Canada. Copies of the signed contracts are then returned to the publishers for their files. Invoices and bills received by the publishers are sent from the St. Maurice Valley Paper Co. (Ltd.), and all payments for paper are made directly to its offices in the Canada Cement Building, Montreal, Canada.

Prior to 1929 this company, like most of the other Canadian mills, sold its paper through a sales company known as the St. Maurice Valley Paper Sales (Ltd.). At that time, all contracts were signed by the sales company, and publishers generally dealt with it. This, however, is not the system used to-day, as the name of the sales company does not appear on any of the contracts, invoices, bills, or on the bills of lading applying to shipments of paper from this Canadian mill. Payments for the paper are also made direct to the manufacturing company, and, in so far as could be ascertained, the selling company discontinued its United States operations on January 1, 1929.

These companies actively compete with the United States mills, paper jobbers, and commission agencies.

A number of Canadian manufacturers have temporarily taken their production out of the competitive field by entering into long-term contracts with publishers to sell their entire output of newsprint or to supply the entire requirements of the purchaser. The Ontario Paper Co. sells its entire output to the Chicago Tribune. The Spruce Falls Power & Paper Co. (Ltd.) sells practically all of its output to the New York Times. The Newspaper & Magazine Paper Corporation, the purchasing organization for the Hearst papers, has contracts to purchase the entire output available for shipment to the United States of the Anglo-Canadian Pulp & Paper Mills (Ltd.), the Brompton Pulp & Paper Co. (Ltd.), and the Lake St. John Power & Paper Co. (Ltd.). The News Pulp & Paper Co. (Ltd.) is controlled by and probably sells its output to the Montreal Star. These manufacturers, with the exception of the News Pulp & Paper Co., for which no figures are available, produced 313,685 tons during 1928, or about 13.1 per cent of the total newsprint produced in Canada that year.

Of the 34 domestic companies with newsprint paper mills located in the United States, 3 also own or control mills located in the Dominion of Canada. Some of the domestic mills have been eliminated from active competition with other manufacturers by entering into long-term contracts to sell their entire annual production. The Algonquin Paper Corporation has contracted to sell its entire output of newsprint paper, approximately 30,000 tons per year, for four years, 1930 to 1933, to the Newspaper & Magazine Paper Corporation for the Hearst papers. The St. Croix Paper Co. has one contract which requires it to supply a daily newspaper with its entire requirements of newsprint amounting to approximately 40,000 tons annually. Nearly all of the remainder of the paper produced by the St. Croix Paper Co., about 15,000 tons, is sold on contracts through the H. G. Craig Co., a domestic sales agent which also sells practically all of the newsprint production of the Cliff Paper Co. The H. G. Craig Co. sells this paper in competition with other agents and dealers as well as manufacturers. The Waterway Paper Products Co., producing a "halftone" newsprint, somewhat different from standard newsprint, sells its output to the Chicago Daily News.

The other domestic companies, including the larger manufacturers, such as the International Paper Co. and Great Northern Paper Co., in the East, the Minnesota & Ontario Paper Co., in the Middle West, and the Crown Zellerbach Corporation, on the west coast, although differing in detail, have generally like methods of selling. The larger companies operate branch offices and employ salesmen who solicit business. Nearly all of the newsprint paper is sold on contracts, which cover a number of years.

The International Paper Co., like most other domestic producers, sells on contract direct to publishers and jobbers. It does not, however, sell through any commission agents. The company maintains sales offices in Boston, New York, Pittsburgh, Chicago, and Atlanta, employing salesmen in each branch. Sales contracts in effect during 1929 covered periods of from 1 to 15 years. There were 526 contracts, of which 107 were for 1 year, 12 were 2-year,

3 were 4-year, 395 were 5-year, 1 was 6-year, 1 was 7-year, 6 were 10-year, and 1 for 15-year periods. Of the one hundred and seven 1-year contracts, 99 were with publishers and only 8 with jobbers. The 1-year contracts include all of the contracts for less than carload shipments and some existing contracts on the old "continuing-contract form," which are renewed from year to year. The bulk of the tonnage sold by the International Paper Co. is on 5-year contracts. The company had only one 15-year contract. This was to supply the New York World with approximately 70,000 tons of newsprint annually, and was obtained in connection with the purchase of a paper mill from the World. The 6-year contract, the 7-year contract, and four of the five 10-year contracts were obtained by financing newspapers (see p. 94). The company had only 18 contracts with jobbers involving 4,775 tons, or only three-fifths of 1 per cent of its total contract sales during 1929.

The Great Northern Paper Co.'s method of sale differs from the International in that it does not sell to jobbers nor to less-than-carload purchasers. It does, however, sell on contract direct to publishers who purchase in carload lots. Its general sales office is in New York City from which five traveling salesmen solicit business. Most of the contracts are made for one year; however, it has been the custom to renew them from year to year by executing and attaching riders thereto. The company makes the same price to all publishers in common zones who purchase in carload lots regardless of the quantity purchased.

The Minnesota & Ontario Paper Co. has long-term contracts with publishers requiring carload shipments. Most of this company's newsprint has been sold on its 10-year "sales agreement, 1921–1930." All of its current contracts will expire December 31, 1930. It has been stated by representatives of the company that less-than-carload customers may purchase direct. However, this class of business has not been solicited. The company did not have any such contracts at the time its records were examined in 1929. It sells to only one paper jobber, the Butler Paper Corporation, of Chicago, which resells the paper to publishers at the mill contract price, the jobber receiving a commission of 3 per cent for making the sales.

The Pacific coast manufacturers, with one exception, have contracts with publishers and jobbers for direct sales. Two of them have jobbers' contracts whereby a publication is supplied direct from the mill, and the jobber, having procured the business, receives a commission from the manufacturer. In this situation the jobber acts directly as a commission agent. It was estimated by the president of the Crown Willamette Paper Co. that the company sold 99 per cent of its newsprint to publishers and jobbers on contracts. Prior to 1929 the company sold to a number of jobbers including Blake, Moffitt & Towne. Through the efforts of the California Newspaper Publishers' Association during 1929 the Crown Willamette Paper Co. agreed to sell its paper, under certain conditions, direct to the publishers, thereby eliminating the jobber. This company, as well as the Washington Pulp & Paper Co. and the Pacific Mills (Ltd.), all subsidiaries of the Crown Zellerbach Corporation, sells its newsprint paper through the Zellerbach Paper Co., another subsidiary.

The smaller manufacturers follow the same method of soliciting business from publishers and make contracts wherever possible.

Section 2. Leaders in making prices.

Leaders in the making of newsprint prices, especially in a declining market such as has existed since 1923, are the International Paper Co.; the Abitibi Power & Paper Co. (Ltd.), represented in the United States by the George H. Mead Co.; and other large Canadian manufacturers represented by the Canadian Export Co. (Ltd.). These companies sell in every State east of the Mississippi River, and the International Paper Co. sells also in some of the Southwestern States. Some of the smaller companies selling west of the Mississippi River base their prices on the contract prices of the Minnesota & Ontario Paper Co., which in turn follows the eastern companies. Prices in the Northwestern States and along the western coast are determined by the quotations of the Crown Zellerbach Corporation and Powell River Co. (Ltd.), of British Columbia.

The International Paper Co. really makes the market price of newsprint paper for the entire United States except the Pacific coast. It has generally taken the lead in announcing prices. Few instances were found during this investigation of any other manufacturer in the United States announcing a general change in prices prior to the date on which the International made its announcement.

In some isolated cases small manufacturers have made contracts to sell newsprint at prices below the standard set by the International, but their production was not great enough to influence the market price.

In an interview with one of the commission's attorneys, the sales manager of the Great Northern Paper Co. stated that its prices were the same as those made by the International Paper Co., and added, in substance:

> * * * other manufacturers could not ask a higher price and would not accept a lower price than the International made. If they asked a higher price they ran the risk of losing their customers. If they accept a lower price they invite further reductions by the International.

The Minnesota & Ontario Paper Co., for many years considered a leader in the Middle West territory, while disclaiming any agreement or understanding with any other company, admits following the prices set by others. Mr. E. W. Backus, president of the company, made a statement to one of the commission's attorneys substantially as follows:

> The contracts are uniform and each has stipulation regarding the market price. The contract price is subject to change each year and to determine that price we take the average of the International Paper Co., George H. Mead, and Canadian Export Paper Co.'s prices. Each Minnesota & Ontario contract contains such a clause, so that we have nothing to do with the establishing of market prices.

Many of the United States mills sell paper to publishers on contracts which state that the prices for each year shall be determined by averaging the price of the International Paper Co. and two other large companies, usually the George H. Mead Co., the Canadian Export Co. (Ltd.), or the St. Maurice Valley Paper Corporation. Other mills base their yearly price on that of the International Paper Co. only. This method of contracting is so widespread among the

United States mills that it indicates the leadership of the International Paper Co. in the creation of market prices.

The Gilman Paper Co. specified in contracts with two of its publisher customers, effective 1929 to 1933, inclusive, that—

Price to be the same as charged by the International Paper Co. to its regular contract customers during the same period.

The same manufacturer has a contract with another publisher in which it is provided that—

(*b*) For 1930 and each subsequent year the price shall be the same as charged by the International Paper Co. and the St. Maurice Valley Paper Co. to their regular contract publishers in New York City during the period covered by this contract.

The Itasca Paper Co., now the Blandin Paper Co., has a number of newsprint contracts with publishers which contain the following price provision:

Price: The price, f. o. b. cars at mill, on gross weight of rolls, including paper and wrappers, but excluding cores, shall be the average eastern price, determined for each year by ascertaining the announced standard contract price to publishers in the United States for newsprint paper sold under regular customer's contract, effective in January of the year in question, of each of the following: International Paper Co.; the G. H. Mead Co., for paper from the Sault Ste. Marie mill of the Spanish River Pulp & Paper Co. (Ltd.)—in the event the G. H. Mead Co. fails to sell paper in the United States from said mill then the Spanish River Pulp & Paper Co. (Ltd.) for paper therefrom; and the Minnesota & Ontario Paper Co., for paper from the International Falls Mill; and taking the average thereof by adding such three prices together and dividing the sum thereof by three.

The above and similar provisions are found in many contracts between the manufacturers and publishers. The events connected with the making of the market price of newsprint during the last half of 1928 and the year 1929 leaves no doubt that the International Paper Co. sets the standard.

The first manufacturer to announce a reduction in price effective on July 1, 1928, was the International Paper Co., and this reduction was met in various ways by competing United States mills. In the fall of 1928, after the International Paper Co. announced that as a result of its contract with the Hearst papers there would be a further reduction in price, all mills in Canada and the United States assumed an attitude of watchful waiting for information as to what the new prices would be. They were continually requested by publishers to quote their 1929 prices, but they usually replied that they would not do so until the International Paper Co. had made its decision. The Great Northern Paper Co. wrote one of its customers on November 7, 1928, in answer to one of these price inquiries, as follows:

Thank you for your letter of November 3, marked for the attention of Mr. Marshall, advising me that you have had, over the long-distance telephone, quotation from the International Paper Co. of a $3.25 delivered price on new business.

This is the only information we have of a definite nature to-day regarding new prices which the International Paper Co. are making. We are striving to get some further information as to what they are quoting in different parts of the country, and just as soon as we are in possession of full facts as to what they propose to offer as their market price for next year, you, as well as our other customers will hear something from the Great Northern Paper Co.

The Pejepscot Paper Co., in a letter to one of its publisher customers on December 15, 1928, said:

We are being asked by some of our customers whether we are prepared now to adjust these contracts as to price for next year. I had hoped long before now to definitely advise you on this point, but until the Canadian conferences have resulted in final agreement, it would seem premature.

The Minnesota & Ontario Paper Co., whose prices were based on the prices of other companies, wrote to one of its customers on January 22, 1929, in regard to newsprint prices, in part:

As we advised on the 2d, we have not yet been advised by our basic companies what the price for this year will be, and until that time we are merely billing at $60 to keep our records up to date. What the situation regarding freight rates will be we can not say, but just as soon as we have definite information regarding this entire matter we will advise you.

The above quotations are given to emphasize the fact that all other manufacturers delayed announcing their prices until the International Paper Co. had determined and announced its prices. The result was that publishers were receiving their paper throughout January and February of 1929 with no definite knowledge of what the price would be.

Finally, when the International Paper Co. and Canadian manufacturers did announce, about March 1, their prices for 1929 the other United States mills immediately announced reductions meeting the new prices, retroactive to January 1.

The Great Northern Paper Co. sent the following-quoted announcement to its contract customers on March 6, 1929:

At a meeting of the board of directors of our company held to-day the matter of adjustment of paper prices for the year 1929 was thoroughly discussed, and the writer has been authorized to advise you that just as soon as riders can be prepared covering a reduction in the cost of paper to you under your 1929 contract with us they will be forwarded to you for signature.

A few days thereafter, March 13, 1929, the Minnesota & Ontario Paper Co. also notified its customers that the price would be reduced and that announcement is here quoted:

We are now in receipt of the 1929 price on newsprint paper, as fixed by the basic companies under our contract, and we herewith inclose rider covering same to be executed by you in duplicate and returned to us for our signature.

This price is effective as of January 1, and when the riders are executed by you and received by us we will adjust our billing for January, February, and March accordingly.

The concerted action by the Canadian mills affiliated with the Canadian Newsprint Co. (Ltd.), beginning in 1927, in respect to prices and tonnage, eliminated any possible competitive prices in so far as those mills were concerned. Likewise, their present affiliation with the Newsprint Institute of Canada involves a concerted price policy. The George H. Mead Co. and Canadian Export Co. (Ltd.), during 1927 and 1928, were the exclusive United States selling companies for the Canadian Newsprint Co. (Ltd.), which controlled the tonnage of several large Canadian mills. It is readily seen why the George H. Mead Co. has been continually named in contracts by the United States mills as a basic company for price changes.

The Zellerbach Corporation, of San Francisco, Calif., operated as a holding company of capital stocks of various subsidiary companies

engaged generally in the paper industry. It exists to-day as a holding company under the name of Crown Zellerbach Corporation.

The Crown Zellerbach Corporation, of San Francisco, Calif., formerly known as the Zellerbach Corporation, on September 2, 1928, acquired, by stock acquisition, control of the Crown Willamette Paper Co. of San Francisco. At the present time the Crown Zellerbach Corporation owns practically all of the outstanding common stock of the Crown Willamette Paper Co. Prior to the acquisition the Zellerbach Corporation, through its subsidiary, the Washington Pulp & Paper Co., was a potential but not an actual competitor of the Crown Willamette Paper Co. in the Pacific coast (California, Oregon, Washington) newsprint business.

The Zellerbach Corporation controlled either directly or through subsidiaries the Washington Pulp & Paper Co., owning a 270-ton daily capacity newsprint mill at Port Angeles, Wash., and 50,905 acres of Washington timberland, or 2,150,000,000 feet of timber. The entire annual newsprint production of this mill, with the exception of 25,000 tons sold directly to the Los Angeles Times, was sold by the Zellerbach Corporation to the Crown Willamette Paper Co. under a contract dated May 8, 1925, and in force at the time of the stock acquisition.

The Crown Willamette Paper Co. owned prior to the acquisition, newsprint mills at Camas, Wash., and West Linn, Oreg., with a combined rated daily capacity of 650 tons. It also owned 92 per cent of the common stock of the Pacific Mills (Ltd.), a Canadian newsprint company having a 270-ton daily capacity mill at Ocean Falls, British Columbia. The combined newsprint production of the mills now controlled by Crown Zellerbach Corporation was 272,831 tons in 1928, or 15 per cent of the production in the United States and 80.3 per cent of the production in California, Oregon, and Washington. Of the 229,455 tons of newsprint paper reported as being sold on contract in the three Pacific Coast States in 1929, Crown Zellerbach Corporation sold 91.1 per cent. The balance, 8.9 per cent, was sold by Inland Empire Paper Co., Hawley Pulp & Paper Co., and the Columbia River and Tumwater mills.

The three west coast States consume approximately 320,000 tons of newsprint each year, of which the Crown Zellerbach Corporation supplied in 1929 approximately 229,109 tons, or 72 per cent. Its sales outside of these three States amounted to 43,722 tons, or 16 per cent of its entire sales, while the outside sales of the Pacific coast independent companies amounted to 45.6 per cent of their sales. The Pacific coast independent companies and their 1928 productions are shown below:

	Tons
Inland Empire Paper Co., Millwood, Wash	32,157
Hawley Pulp & Paper Co., Oregon City, Oreg	17,472
Columbia River Paper Mills, Vancouver, Wash	1,668
Tumwater Paper Mills, Tumwater, Wash	341

A possible but not an actual competitor of Crown Zellerbach Corporation for Pacific coast newsprint business is Powell River Co. (Ltd.), producing 150,000 tons annually at Powell River, British Columbia. Sixty per cent, or 90,000 tons of its production is sold in the United States through the Geo. F. Steele Co., of New York City. This tonnage, however, does not go to California, Oregon, or Washington, but is sold to about 40 publishers in Texas, Louisiana, Oklahoma, Colorado, Nebraska, New Mexico, Arkansas, and Kansas. In fact, the Geo. F. Steele Co. represents the Powell River Co. (Ltd.), in all States except the three on the Pacific coast, and as there is no other United States representative, the paper is not sold in competition with that of Crown Zellerbach Corporation. The Pacific coast territory is also somewhat closer to the Powell River Co.'s mill than that to which the company's paper is now being shipped.

At the present time the Crown Zellerbach Corporation controls timberlands in the United States having 6,500,000,000 feet of timber thereon. It has timber licenses or fee ownership of 3,500,000,000 feet of Canadian timber. Its products other than newsprint are sulphite and kraft wrapping paper, tissue, bags, fruit wrappers, containers, and waxed papers.

Section 3. Organization of Canadian newsprint manufacturers.

The leading newsprint manufacturers of Canada east of the Rocky Mountains, with the exception of the Canadian International Paper Co., have made several attempts to cooperate in marketing their product in the United States. The alleged purpose of the various attempts is to stabilize the newsprint industry in Canada.

Canadian Newsprint Co. (Ltd.).—In May, 1927, several Canadian newsprint manufacturing companies having mills located in eastern and central Canada formed the Canadian Newsprint Co. (Ltd.), a Quebec corporation, with offices in Montreal. Its common stock was owned exclusively by the constituent companies.

In attempting to achieve the purpose of the organization all newsprint produced by the members was purchased by the Canadian Newsprint Co. (Ltd.) and resold to subsidiary companies which in turn sold it to publishers in the United States or exported it to other countries. Publishers in the United States were prevented from purchasing direct from the member mills. Their paper orders and contracts had to follow the established channels, and their only contacts were had with either of the two subsidiaries. These were the George H. Mead Co. and Canadian Export Paper Co. (Ltd.) Paper orders received in this manner were pooled and the tonnage allocated to the member companies on a rated daily capacity basis.

Later in the summer of 1927 representatives of the Canadian Newsprint Co. (Ltd.), desiring to have their mills operate as near capacity as possible, negotiated with representatives of the Newspaper & Magazine Paper Corporation (purchasing organization for the Hearst papers) for the sale of 250,000 tons of newsprint paper annually for 10 years beginning with 1928. These negotiations resulted in the writing of a tentative agreement which contained prices lower than the then existing market price in eastern United States. Actual deliveries were made pursuant to the terms of this tentative agreement during the first four months of 1928, but on April 21 of that year the Hearst representatives were notified that the Canadian Newsprint Co. (Ltd.) would not execute the contract and would discontinue delivering paper at those prices. This action resulted in some dissatisfaction among the member companies, with the result that two of them, the Anglo-Canadian Pulp & Paper Mills (Ltd.) and Brompton Pulp & Paper Co. (Ltd.), signed individual contracts with the Hearst organization at prices substantially the

same as had been tentatively agreed to by the Canadian Newsprint Co. (Ltd.). These two companies, on June 1, 1928, withdrew from the Canadian newsprint organization. The making of the two Hearst contracts at prices lower than the general market prices and the general disruption of the Canadian Newsprint Co. brought a general price reduction on July 1, 1928. These factors also resulted in the subsequent dissolution of the Canadian Newsprint Co. in September, 1928.

On May 29, 1928, a few weeks after the failure of negotiations between the Canadian Newsprint Co. and the Hearst organization, the International Paper Co. announced to its customers that beginning January 1, 1929, newsprint would be sold at $3.10 per hundredweight ($62 per ton), f. o. b. mill, which was $3 per ton less than the existing market price. In addition, the International Paper Co. announced that it would, in 1929, absorb an additional dollar in freight rates. This established a reduction of $4 a ton from the consumers' delivered prices. As an inducement to have its 1929 contracts signed before July, 1928, the company offered a discount of $3 per ton on the tonnage shipped during the first half of 1929. The discount, however, was to be credited on the customers' invoices for the last six months of 1928 provided the 1929 contracts were then signed. This was virtually a $3 per ton reduction on July 1, 1928, as practically all of the International Paper Co.'s customers took advantage of the offer. Other mills met this action in different ways, so that we find a general market price reduction on July 1, 1928.

Newsprint Institute of Canada.—Following the dissolution of the Canadian Newsprint Co. (Ltd.), and the announcement by the International Paper Co. of its 1929 prices on May 29, 1928, the Canadian manufacturers acting independently gave some promise of real competition. However, the new low price fixed for newsprint paper for 1929 by the International-Hearst contract (see p. 89) brought on the intervention of the governments of the Provinces of Quebec and Ontario. Through the efforts of the Prime Ministers of these two Provinces the Newsprint Institute of Canada was organized in November, 1928.

It is understood that the leading Canadian newsprint manufacturers, with the exception of Canadian International Paper Co., the Spruce Falls Power & Paper Co. (Ltd.), and the Pacific coast companies, are members of the institute.

As the membership is made up entirely of foreign corporations and as the institute is also foreign, the commission has not secured complete information on the organization and activities of the institute. It has been referred to in the following way:

> The organization was formed by a small group of manufacturers who are operating merely under a so-called "gentlemen's agreement."

The only official information which the commission has concerning the institute is a letter from its general counsel, George H. Montgomery, K. C., of Montreal, Canada, who wrote the commission on October 23, 1929, in response to its request for information in part as follows:

> While the last thing which I would wish would be to appear to be lacking in courtesy to your commission, you will undoubtedly appreciate that as this matter has been specially delegated to Mr. Henry A. Wise, who I understand has been in conference with you for some time past, it would seem preferable that all communications should pass through him. However, without interfering with his functions I think that I may correct a possible misapprehension with respect to the formation of what is known, for lack of a better name, as the Newsprint Institute of Canada.
>
> Last autumn the premiers of the Provinces of Ontario and Quebec became seriously concerned over the turn of affairs in the newsprint industry, which was in a highly demoralized condition. It had been considerably overdeveloped with the result that in the competition for business contracts were being entered into at prices which afforded no possibility of profit and a price war was actively threatened which seemed likely to spell ruin to a number of the existing mills. Whole communities were being thrown out of employment, as the result of closing down of certain of the higher-cost mills, and as in many instances these communities were not supported by any other industry it is unnecessary to dwell upon the distress which seemed impending during the forthcoming winter. The complaints were so serious and conditions such that the governments could not ignore them and they felt obliged to give notice to the several companies operating mills in their respective Provinces that unless immediate steps were taken by the newsprint companies to regulate their affairs the government would take the matter in hand themselves. The greater part of the wood from which newsprint is manufactured is the property of the Crown and the Premiers intimated in no uncertain terms that they did not propose to allow their forests to be made use of in a manner so prejudicial to the public interest.
>
> The manufacturers were accordingly called together and were addressed by the premiers who informed them that they would have to make some provision for the distribution of the available tonnage on an equal basis so as to afford some measure of employment to all the mill communities as well as to those engaged in the cutting operations incidental to them. The available business was at the time very unevenly distributed so that the premier's mandate involved the necessity of the mills which were long in business giving up a portion of it to those who were short in order to put them on an equal footing, and this without compensation. As you can readily imagine this proposal met with great resistance and was naturally only acceded to by the longs under governmental pressure.
>
> The distribution of the business necessarily involved provisions for adjustments so that each mill would receive the same mill net for the tonnage manufactured. A short set of rules was prepared for the conduct of the industry during this period of stress, giving effect to the mandates of the premiers, which rules were approved by them and agreed to, the premiers themselves undertaking to act as arbitrators in the event of any dispute arising. A secretary was appointed to look after the necessary adjustments and this constitutes the so-called Newsprint Institute of Canada. It is not incorporated and might be termed at the most an involuntary association. No agreements of any kind were made between the manufacturers and the institute so that I am unable to furnish you with copies. As regards the rules above referred to, I would not feel free to furnish them without first communicating with the Premiers. I am sure that the manufacturers, or many of them, look forward to the time when these distress conditions will be over and they will be free to conduct their respective businesses in the normal way.

Mr. A. R. Graustein, president of the International Paper Co., who saw a copy of an instrument which he assumed was the basis of the Newsprint Institute of Canada and which he was requested to sign, answered the following questions at an informal hearing of the commission:

> Q. During your discussion you referred to an agreement or an arrangement that you were asked to sign?—A. Yes.
>
> Q. That is, that the Canadian International Paper Co. was asked to sign?—A. Yes.
>
> Q. Have you a copy in your files of that?—A. No.
>
> Q. Do you remember its terms generally?—A. Not in detail, no; but it was, in general, an agreement for cooperation and common action. It is very hard for me to recollect the exact terms, but its substance would have deprived us of liberty of action in regard to the conduct of our manufacturing and selling.

Q. I see. Did the agreement contemplate curtailment of production by the Canadian mills?—A. It contemplated a ratable division among the subscribing mills of the available business.

Q. In other words, the taking of the orders of all mills and distributing them to the mills on the basis of capacity, or what?—A. Substantially that, yes. I can not say it was as definite as that, but that certainly was the general idea expressed in the instrument.

Mr. Henry A. Wise, the New York attorney representing the Newsprint Institute of Canada for this investigation, stated that he had nothing to do with the organization of the institute. He understood, however, that there was a contract which practically all of the Canadian newsprint manufacturers signed giving control of production and sales of newsprint paper to the institute. Mr. Wise stated further that he understood that under this contract the Newsprint Institute of Canada has the power to limit production and allocate orders, which is done on the basis of rated daily capacity of the mills.

Section 4. The Hearst-International Paper Co. contract.

The International Paper Co. and other newsprint manufacturers having entered into contracts for 1929, at the market prices announced in May, 1928, were notified on October 10, 1928, that bids would be received by the Newspaper & Magazine Paper Corporation, purchasing organization for the Hearst papers, for 140,000 tons of print paper to be supplied annually for five years beginning with 1929. The International Paper Co. being the successful bidder signed a 5-year contract on October 29, 1928. By the terms of this written contract, the purchaser was to pay, during 1929, $57 a ton f. o. b. mill, freight allowed by the seller to the purchaser's destination for paper delivered to New York, Boston, Baltimore, Washington, Detroit, Milwaukee, Pittsburgh, and Chicago. The price stated therein for Omaha and Kansas City was $58 a ton, Atlanta $60, and San Antonio $65.50.

The International Paper Co., indicating no deviation from its policy of uniform standard prices, sent the following quoted telegram to its customers on October 30, 1928:

We closed yesterday a contract for a substantial tonnage of newsprint for the Hearst papers for several years at prices less than our present contract prices for next year. This transaction involves no deviation from our practice of announcing standard prices and as soon as the necessary details can be completed we will offer substantial price reductions to all of our customers, including those who have already signed their contracts for next year.

While not divulging, at that time, the actual Hearst contract prices, the International Paper Co. did announce that all of its customers would receive the benefit of those reduced prices. This indicated that the International Paper Co.'s general market prices were to conform to the Hearst contract prices. It soon became apparent that the Canadian manufacturers and the prime ministers of Quebec and Ontario, Canada, were not in accord with the Hearst-International contract prices. Many conferences, called by the prime ministers, were held both in New York and Montreal at which threats of disciplinary actions were made to coerce the International Paper Co. and the Hearst Organization into agreeing to an advance in the contract price of newsprint paper. On December 10, 1928, Prime Minister Taschereau, of the Province of Quebec, Canada, was in conference with representatives of the International Paper Co. and the

Hearst organization in New York City. Asked to relate the subject matter of that conference, Mr. David Town of the Hearst organization said:

Mr. Taschereau said, "You have a contract at a price that means so much in its effect upon the industry. We want to talk with you with the idea of getting you to revise that price. * * * Well, we are not satisfied and something has got to be done about it. * * * So far as you are concerned we would take no action, but we are going to make it very, very difficult for the International Paper Co. to fulfill that contract. * * * You know we can change the timber dues over night, and we might impose a very heavy timber tax upon all the mills and then rebate it to those mills which live up to their obligations to the Canadian Newsprint Institute."

The prime minister and Canadian manufacturers were determined to have the International-Hearst contract prices increased if the general market prices were to conform thereto as had been announced by the International Paper Co. If that contract price was to have no relation to the general market prices they could be raised without regard to that contract.

These various conferences culminated with a solution apparently satisfactory to all parties involved. On February 26, 1929, the two Hearst contracts that had been made in 1928 with the Anglo-Canadian Pulp & Paper Mills (Ltd.), and Brompton Pulp & Paper Co. (Ltd.), were revised and the prices stated therein reduced while, at the same time, a new International-Hearst contract was signed which increased the original contract prices approximately $5 a ton. The averaging of the three Hearst contracts achieved the desire of preventing the contemplated lower market prices. The prices stated in the new and now existing International-Hearst contract are:

Boston, Albany, Rochester, and Syracuse	$61.50
New York, Baltimore, Washington, Detroit, Chicago, and Pittsburgh	62.00
Milwaukee	61.00
Omaha and Kansas City	63.00
Atlanta	65.00
San Antonio	67.70

These prices are not actually written into the contract, but it is therein stated that the paper is sold at $65 per ton f. o. b. mill, with the seller paying all freight to destination. There are clauses which add to or deduct from this price amounts sufficient to arrive at the various prices set forth above. The contract by its terms requires the seller to supply 140,000 tons of newsprint for each year during the period 1929 to 1933.

The agreement by which the revised contract between the International Paper Co. and the Hearst organization was signed on February 26, 1929, increasing the original price of newsprint by $5 per ton, fixed the standard contract prices to other publishers for 1929. Long before the date (November 30) named, in its standard contracts with publishers, on which the International Paper Co. agreed to announce its 1930 prices, the Premiers of the Provinces of Quebec and Ontario began their efforts to have the contract prices further increased by an additional $5 per ton for 1930. The same coercive methods that were used to force the $5 per ton increase in 1929 prices were again employed.

On November 12, 1929, Mr. Graustein, "in response to a summons from Mr. Taschereau," met with Prime Minister Ferguson, of the Province of Ontario, and Prime Minister Taschereau, of Quebec, at

the Windsor Hotel in Montreal, Canada, at which the premiers "insisted" that the International Paper Co. increase its prices on newsprint paper for 1930 by $5 per ton. (See p. 46.) Discussing the Hearst contract in its relation to the 1930 prices the following question put to Mr. Graustein and his answer is significant:

Q. Does your contract with Hearst prevent you from making this advance without Hearst's agreement?—A. We can not increase the price to Hearst without Hearst's consent.

Section 5. Ownership of newsprint paper mills by publishers.

A few of the newspaper publishers of the United States are interested in newsprint paper mills either by ownership of a controlling or a substantial interest in manufacturing companies.

New York Times.—The New York Times, controlled by Adolph S. Ochs, had purchased substantially all of its newsprint paper requirements for 10 years prior to January 1, 1929, under contract from the Canadian Export Co. at the "prevailing market price." To use M. Ochs's own language in a letter to the commission dated June 11, 1929:

Since January, 1, 1929, the entire newsprint paper supply of the New York Times Co., approximately 100,000 tons a year, is under contract with the Spruce Falls Power & Paper Co., of which, as I have said, the New York Times is practically half owner, the contract price being the prevailing market price.

The controlling interest, or about 51 per cent of the capital stock of the Spruce Falls Power & Paper Co., with a newsprint paper mill at Kapuskasing, Ontario, is owned by the Kimberly Clark Co., of Neenah, Wis. The New York Times owns about 49 per cent of the Spruce Falls stock.

The Chicago Tribune.—The Tribune Co. owns and publishes the Chicago Tribune. The company also owns all of the capital stock of the News Syndicate Co. (Inc.), publishers of the New York Daily and Sunday News. These two papers, however, are published by separate corporations and purchase their newsprint from separate companies. The Tribune Co. owns capital stock in paper-manufacturing companies as indicated in the following excerpt from a letter from the business manager of the Chicago Tribune to the commission dated June 17, 1929:

The Tribune Co. owns all of the stock of the Ontario Paper Co. (Ltd.), located at Thorold, Ontario, and this company furnishes its entire annual output of newsprint to the Chicago Tribune. * * *

The Tribune Co. also owns all of the stock of the Tonawanda Paper Co. (Inc.), of North Tonawanda, N. Y. This company supplies its entire output of rotogravure newsprint to the Chicago Tribune, and also supplies magazine paper to Liberty Weekly, a subsidiary of the Tribune Co.

The Chicago Tribune owns stock in the Watab Paper Co., of Sartell, Minn. This stock was acquired during the period of the war, but the Tribune Co. has not purchased any newsprint from the Watab Paper Co. since approximately 1919.

The Ontario Paper Co. produces about 100,000 tons of newsprint paper per year. Prior to 1929 the Tribune purchased the remainder of its newsprint requirements (about 30,000 tons per year) from the Canadian Newsprint Co. (Ltd.).

The Minneapolis Tribune.—The Minnesota Tribune Co., which owns and publishes the Minneapolis Tribune, also owns the entire capital stock of the Manistique Pulp & Paper Co., with a mill at Manistique, Mich., which supplies all of the newsprint paper requirements of the Tribune. The ownership of this mill is described by

Mr. John C. Benson, of Minneapolis, in a letter, dated June 13, 1929, to the commission, reading in part as follows:

The Manistique Pulp & Paper Co. is owned entirely by the Minnesota Tribune Co., and was created and organized primarily to furnish that company's newspaper, the Minneapolis Tribune, with its newsprint. About two-thirds of its product is used by the Minneapolis Tribune; the rests is sold on the market. Its gross production in 1928 was only twenty-two thousand and odd tons.

St. Paul Dispatch.—The Dispatch Printing Co., owner and publisher of the St. Paul Dispatch and the St. Paul Pioneer Press, purchased all of the capital stock of the Itasca Paper Co. in August, 1916. The difficulty experienced at that time in obtaining newsprint paper led to this purchase. The Dispatch Printing Co. held this stock and purchased its entire requirements of newsprint paper from the Itasca Paper Co. until August, 1927, when control of the newspapers was sold to Ridder Bros. and Leo E. Owens, and the holdings in the Itasca Paper Co. were divested. The contract for the sale of the newspapers provided for a 15-year contract for the purchase of newsprint by the new owners of the papers from this Itasca Paper Co. in the following language:

6. Second parties agree that such corporation will for itself, and its successors and assigns, enter into a contract with the Itasca Paper Co. obligating said corporation, its successors and assigns, to purchase from the Itasca Paper Co. the full newsprint requirements for the newspapers St. Paul Dispatch and St. Paul Pioneer Press and St. Paul Sunday Dispatch-Pioneer Press up to the capacity of the mill or mills of the Itasca Paper Co. for 15 years from date of closing. As of January 1 each year during said 15-year period a contract will be made for the ensuing year, price to be the current market price, and the form of said contract to be the standard form used by the Minnesota & Ontario Paper Co.

The Dispatch-Pioneer Press Co. is now the owner and publisher of the above-named papers, and the Blandin Paper Co. has succeeded the Itasca Paper Co. The only financial connection between the two companies now is the holding of some of the second preferred stock of the Dispatch-Pioneer Press Co. by the Blandin Development Co., which is controlled by Charles K. Blandin, who also controls the Blandin Paper Co. The second preferred stock, however, has no voting power except in the event of a default in the payment of dividends.

Section 6. Financial interest in newspapers by newsprint manufacturers.

During this investigation an effort was made to find what, if any, financial interest each of the newsprint paper manufacturers of the United States had in newspapers. Evidence was found of only a few manufacturers who had such interest.

The Gilman Paper Co.—The records show that in June, 1929, the Gilman Paper Co. owned 1,335 shares of preferred stock and 1,780 shares of the common stock of the Philadelphia Record Co., owner and publisher of the Philadelphia Record. The total outstanding capital stock of the Philadelphia Record Co. consists of 17,500 shares of preferred stock, par value $100, and 52,500 shares of no-par common. The Courier-Post Co., of Camden, N. J., which is controlled by J. David Stern, owns 3,505 shares of preferred stock and 40,627 shares of the common stock of the Philadelphia Record Co. The Gilman Paper Co. purchased the stock in the Philadelphia Record Co. in July, 1928. It has a contract to sell the Record its

entire requirements of newsprint paper—about 12,000 tons per year—for five years, beginning January 1, 1929. The contract price is stated in the following language:

> During the life of this contract the f. o. b. mill price instead of the delivery price is agreed to, as the principle that shall prevail; and that when the International Paper Co., or the Great Northern Paper Co., or the J. R. Booth mills, or their agents, announce their new contract prices during this period to their regular contract publishers, the seller agrees within 60 days to meet such lowest contract price for such period in the zone which includes northern Vermont with an f. o. b. mill price $6.50 per ton below such lowest zone delivered price, and the buyer agrees to pay such adjusted price for such period as specified by any of the above concerns.

The Gilman Paper Co. also has a contract to supply the newsprint requirements of the Evening Courier and the Morning Post, both of Camden, N. J., controlled by Mr. Stern's company. These two papers consume about 5,000 tons of paper each year. The net cost to each of these papers during 1929 was $62 per ton delivered.

St. Regis Paper Co.—The St. Regis Paper Co. owns 556 shares of preferred stock of the Standard Publishing Co., owner of Standard, at Watertown, N. Y. This preferred stock has no voting power and was acquired in March, 1926, "in payment of debt." The St. Regis Paper Co. has a contract to sell the Standard Publishing Co. 1,000 tons of newsprint paper per year.

International Paper Co.—On April 30, 1929, the International Paper Co. was interested financially in the following newspapers:

> Chicago News, Chicago, Ill.
> Boston Herald, Boston, Mass.
> Boston Traveler, Boston, Mass.
> Chicago Journal, Chicago, Ill.
> Tampa Tribune, Tampa, Fla.
> Greensboro Record, Greensboro, N. C.
> Brooklyn Daily Eagle, Brooklyn, N. Y.
> Albany Evening News, Albany, N. Y.
> Knickerbocker Press, Albany, N. Y.
> Ithaca Journal News, Ithaca, N. Y.
> Augusta Chronicle, Augusta, Ga.
> Columbia Record, Columbia, S. C.
> Spartanburg Herald, Spartanburg, S. C.
> Spartanburg Journal, Spartanburg, S. C.

In his testimony before the commission during its investigation of the public-utilities corporations, Mr. Graustein, president of the International Paper Co., commenting on the reasons for purchasing interests in newspapers, made the following statement:

> Even in 1928, early in the spring, I could see what was going to happen, or some time along in the spring, that we were losing money, because we were not getting our share of the business. That is why we turned to this policy of trying to sew up our business by taking in the publishers. * * * One reason was because our earning statement in 1928 was so bad, and that was caused by one of our competitors who took a customer away from us by doing just that thing.

During 1926 the International purchased $250,000 face value of preferred stock and 5,000 shares of the common stock of the Chicago Daily News. Mr. Graustein testified that these amounts represented only 4.15 per cent of the total outstanding preferred stock and 1.25 per cent of the total outstanding common stock of the Chicago News. When asked "At whose suggestion did you buy them?" Mr. Graustein answered:

> Probably at the suggestion of our sales manager, Mr. Fearing, who formerly lived in Chicago and had been almost a lifelong friend of Mr. Strong. And Mr. Fearing told me that Mr. Strong was planning to purchase Mr. Lawson's—the Chicago News—from Mr. Lawson's estate. And that in the financing of it he would be selling preferred and common stock. And Mr. Fearing suggested that it might be a good policy for us in maintaining our contract and business relations with the Chicago News, which, by the way, is one of the largest consumers of newsprint * * *.

When asked "In whose name are these shares now carried?" Mr. Graustein answered:

> I believe those are carried in my name personally. They are in the possession of the International Paper Co. (Record of hearings, Public Utility Investigation.)

The News consumes about 58,000 tons of newsprint paper annually, of which 42,000 tons is purchased from the International Paper Co. However, the International had this business before purchasing the above stock.

In May, 1928, Mr. Graustein began negotiating with Sidney W. Winslow, jr., for the purchase of capital stock of the Boston Publishing Co., owner of the Boston Herald and Traveler. The negotiations were completed, and a final agreement was reached on July 19, 1928. Under this agreement the International Paper Co. purchased 10,248 shares of the stock of the Boston Publishing Co. at $525 per share, amounting to $5,380,200. To use Mr. Graustein's own language:

> The actual payment of the money and the taking of the shares I think occurred on January 2, 1929.

The above-mentioned shares were held in the name of the Publishers' Investment Corporation, the stock of which was owned by the International Securities Co., which is affiliated with the International Paper Co. The two newspapers involved in this transaction require about 30,000 tons of newsprint paper annually. Prior to the purchase of the stock the International was furnishing the papers with about 3,000 tons per year. Following the purchase of stock in the paper the International's tonnage was increased to 24,000 in 1929 and to 30,000 tons in 1930. Apparently the Boston Publishing Co. had not signed a long-term contract with the International in April, 1929, as Mr. J. L. Fearing, sales manager, wrote to Mr. R. C. Doane on April 11, 1929:

> Think you had better talk over with Mr. C. D. Young the question of the advisability of placing a 5-year contract in the possession of the Boston Herald, so that we may have our records complete.
> I think we ought to ask them to sign one and see no reason why we should not do so in the near future.

During 1928 and the early part of 1929 the International Paper Co. gave financial assistance to Mr. John Stewart Bryan and Mr. Samuel E. Thomason in the purchase of the Chicago Journal. Bryan and Thomason owned the Tampa Tribune at Tampa, Fla., and the Greensboro Record at Greensboro, N. C. They organized the Bryan-Thomason Newspapers (Inc.) to hold the stock of the Tampa Tribune and the Greensboro Record and to take over and hold stock in the newly organized Chicago Journal Corporation to own and publish the Chicago Journal. The International Paper Co. received for its financial aid, $1,000,000 in debentures and $630,000 in preferred stock of the Bryan-Thomason Newspapers (Inc.) and

10,000 shares which was one-third of the total outstanding common stock of the Chicago Journal Corporation. The agreement, in the form of a letter dated May 19, 1928, and accepted as of the same date between the International Paper Co. and Bryan and Thomason, contained the following provisions:

9. It is distinctly understood and agreed that our obligation to purchase such debentures and your obligation to sell same to us are upon the condition that the new Chicago Journal Co. to be organized, the Tribune Co., of Tampa, Fla., and the Record Co., of Greensboro, N. C., shall enter into written contracts with us in accordance with the forms hereto attached and made a part hereof.

10. If the purchase of debentures covered by this letter is consummated, it is agreed in consideration thereof that the Richmond News Leader, now owned and published by John Stewart Bryan, will continue to purchase from us for at least five years all but 2,000 tons of its annual requirements of newsprint paper.

Pursuant to the above provisions, contracts were entered into whereby the International Paper Co. would supply the entire requirements of standard newsprint paper to the Chicago Journal, the Tampa Tribune, and the Greensboro Record for a period of 10 years (1929–1938). The estimated annual requirements as stated in the contracts were: Chicago Journal, 5,000 tons; Tampa Tribune, 2,800 tons; and the Greensboro Record, 500 tons. The provisions of the three contracts were substantially the same. The following excerpts are from the contract with the Chicago Journal:

In consideration of the mutual covenants and agreements hereinafter set out, the International Paper Co., of 100 East Forty-second Street, city of New York, State of New York, hereinafter called the seller, agrees to sell and hereby does sell, and Journal Co. (publisher of the Chicago Journal, of the city of Chicago, State of Illinois, hereinafter called the purchaser), agrees to buy and pay for and hereby does buy the entire requirements of the purchaser, which shall include the entire requirements for publication of the Chicago Journal, now estimated at 5,000 tons yearly of standard newsprint paper, in rolls, such paper to be shipped during the period beginning January 1, 1929, and ending December 31, 1938, both dates inclusive, in approximately equal monthly installments, and also the purchaser's requirements during the balance of the year 1928, if any, over and above commitments heretofore made for such year 1928, upon and subject to the following terms and conditions:

* * * * * * *

2. *Price (per hundred pounds) and delivery.*—(*a*) The price (per hundred pounds) actual weight of rolls, including paper and wrappers but excluding cores, upon delivery free on board cars or vessel at mill (when title shall pass to purchaser) for paper delivered hereunder from January 1, 1929, to December 31, 1938, both dates inclusive, shall be for each calendar year of the period of this contract the standard annual contract price of the seller for such year for like tonnages of standard newsprint paper whether shipped by water or by rail or by water and rail to publishers for use in the publication of daily newspapers in the seller's same destination district. If, however, the cost to the purchaser for any calendar year shall involve a major variation from the general contract market for such year in Illinois for standard newsprint paper of Canadian or United States manufacture (minor variations being allowed so as to permit the seller an opportunity to maintain a policy of uniform price schedule), then and in any such case the purchaser may without prejudice to the operation of this contract, in future years, suspend its operation during such year by giving to the seller 30 days' written notice of its intention so to do, provided, however, that this contract will, notwithstanding such notice, remain in effect for such year if the seller during such 30 days shall revise the price to be paid by the purchaser hereunder for such year so that it no longer involves such major variation. The seller shall advise the purchaser of such standard price for each calendar year not later than the preceding November 15, and the purchaser shall give the 30-day notice, if at all, not later than 15 days after receipt of such advice. On Roto and special papers other than newsprint, price, quality, and terms of payment being as satisfactory to the purchaser as that of other sellers, the purchaser agrees to purchase its requirements of such special papers from the seller.

The contract with the News-Leader Co., publisher of the Richmond News-Leader, contained substantially the same price provision as the Chicago Journal contract, but as to the quantity purchased and duration, the News Leader contract read as follows:

In consideration of the mutual covenants and agreements hereinafter set out, the International Paper Co., of 100 East Forty-second Street, city of New York, State of New York, hereinafter called the seller, agrees to sell and hereby does sell, and News-Leader Co., publisher of the News-Leader of the city of Richmond, State of Virginia, hereinafter called the purchaser, agrees to buy and pay for and hereby does buy the requirements of the purchaser over and above so much, not in excess of 2,000 tons per year, of the product of Price Bros. & Co. (Ltd.) as it shall buy, and the paper hereby contracted for shall include the entire requirements for publication of the News-Leader over and above the amount aforesaid, which requirements hereby contracted for are now estimated at 4,000 tons yearly of standard newsprint paper, in rolls, such paper to be shipped during the period beginning January 1, 1929, and ending December 31, 1933, * * *.

It should be noted that the Richmond News-Leader was not controlled by the Bryan-Thomason Newspapers (Inc.), but by Mr. John Stewart Bryan individually. However, the News-Leader was required to enter into a 5-year contract to purchase its newsprint requirements from International Paper Co. as a part of the consideration for the financing of the purchase of the Chicago Journal by Bryan and Thomason.

In addition to the above-named papers, negotiations were conducted by Mr. Thomason and his associates in an attempt to acquire other newspapers with the assurance of the International Paper Co. that it would assist in financing their purchase. Among the papers approached were:

1. Buffalo (N. Y.) Times.
2. Cleveland (Ohio) Plain Dealer.
3. Columbus (Ohio) Dispatch.
4. Dayton (Ohio) Journal.
5. Detroit (Mich.) Free Press.
6. Indianapolis (Ind.) News.
7. Kansas City (Mo.) Star.
8. Milwaukee (Wis.) Journal.
9. Minneapolis (Minn.) Journal.
10. Minneapolis (Minn.) Star.
11. Newark (N. J.) Evening News.
12. Philadelphia (Pa.) Inquirer.
13. St. Louis (Mo.) Globe Dispatch.
14. South Bend (Ind.) News-Tribune.

The following question and answer by Mr. Thomason indicates the extent to which the International Paper Co. would assist Mr. Thomason in financing the purchase of newspapers:

Q. If you had been able to buy these papers for a price that seemed within reason, were you given assurance that the International would back you?—A. Well, let me say this, to be within the facts, it was under contemplation that one or at most two of those papers of that group of papers might be bought. I was at no time given the assurance that the International would back the purchase of the whole lot of them, or so far as I recall at any time the assurance or indication that they would back more than the purchase of two of them.

The International Paper Co. assisted Mr. Frank E. Gannett, of Rochester, N. Y., in financing the purchase of the Brooklyn Daily Eagle, the Albany Knickerbocker Press, and the Albany Evening News, as well as the refinancing of the Ithaca Journal-News. The total cost to the International Paper Co. was $2,704,500, for which it received the following securities:

Brooklyn Daily Eagle Corporation, $1,954,500 face-value notes, 400 shares of common stock.
Press Co. (Inc.), $450,000 face-value preferred stock, 3,000 shares of common stock.
Ithaca Journal-News (Inc.), $300,000 face-value notes.

These securities were held in the name of the Piedmont Press Association (Inc.), a subsidiary of the International Paper Co.

The Brooklyn Daily Eagle Corporation, which is capitalized at 1,000 shares of common stock, owns all of the capital stock of the Brooklyn Publishing Co., which in turn owns 10,217 shares of the 15,000 shares or total outstanding stock of the Brooklyn Daily Eagle Co., owner and publisher of the Brooklyn Daily Eagle. The 400 shares held by the subsidiary of the International Paper Co. was 40 per cent of the total outstanding capital stock of the Brooklyn Daily Eagle Corporation.

The Press Co. (Inc.), owner and publisher of the Albany Knickerbocker Press and the Albany Evening News, was capitalized at 10,000 shares of common stock and 4,500 shares of preferred stock. The securities listed above were held by the subsidiary of the International Paper Co., representing all of the outstanding preferred stock and 30 per cent of the outstanding common stock of the Press Co.

The Gannett Co. and Mr. Frank E. Gannett, personally, own all or a controlling interest in the following-named companies:

NEWSPAPERS OWNED

1. The Press Co. (Inc.), Albany Knickerbocker Press, Albany Evening News.
2. Beacon News Co. (Inc.), Beacon (N. Y.) News.
3. Brooklyn Daily Eagle Co., Brooklyn (N. Y.) Daily Eagle.
4. Elmira Star Gazette (Inc.); Elmira (N. Y.) Star-Gazette, Elmira Advertiser, Elmira Telegram.
5. Hartford Times (Inc.), Hartford (Conn.) Times.
6. Malone Telegram (Inc.), Malone (N. Y.) Evening Telegram.
7. Newburgh News Printing & Publishing Co., Newburgh (N. Y.) News.
8. Plainfield Courier-News Co., Plainfield (N. J.) Courier-News.
9. Rochester Printing Co., Rochester (N. Y.) Democrat and Chronicle.
10. Rochester Times-Union (Inc.), Rochester (N. Y.) Times-Union
11. Utica Observer-Dispatch (Inc.), Utica (N. Y.) Observer-Dispatch.
12. Ithaca Journal-News (Inc.), Ithaca (N. Y.) Journal News.
13. Ogdensburg Publishing Co. (Inc.), Ogdensburg (N. Y.) Republican-Journal.
14. Olean Herald (Inc.), Olean (N. Y.) Herald.

The total newsprint paper requirements of the Gannett newspapers are approximately 52,000 tons per year, of which the International now supplies about 25,000 tons. The financing of the Gannett papers secured for the International Paper Co. a 10-year (1929–1938) contract to supply the Albany Knickerbocker Press and News, 6,000 tons of newsprint per year. It secured a contract to supply the Brooklyn Daily Eagle, 12,000 tons per year, for five years (1929–1933), and the Ithaca Journal-News, 400 tons per year, for five years, beginning in 1931. The International already had the business of the Hartford Times, consuming about 6,000 tons annually.

Three southern newspapers were partially financed by the International Paper Co. The Augusta (Ga.) Chronicle, Columbia (S. C.) Record, and Spartanburg (S. C.) Herald-Journal were purchased by Messrs. Hall & LaVarre. The International Paper Co. advanced $885,000, for which it received a promissory note for $870,000 secured by all of the stocks of the above-named publications. Each of these publications contracted for its newsprint requirements. The Augusta Chronicle and the Columbia Record each use about 700 tons annually; the Spartanburg Herald-Journal 625 tons annually.

A recapitulation of the above transactions shows that the International Paper Co. invested $10,849,700 in newspaper publishing companies during the period 1926–1929, as follows:

The Chicago Daily News	$250,000
Boston Herald and Traveler	5,380,200
Bryan-Thomason Newspapers (Inc.)	1,630,000
Frank E. Gannett	2,704,500
Hall and La Varre	885,000
Total	10,849,700

In each of the above cases, except the Chicago Daily News, the publisher was required, as a part of the consideration for financial assistance, to enter into a contract to purchase newsprint paper consumed by the publication from the International Paper Co. The following is a list of newspapers and the tonnage of newsprint purchased annually by each from the International Paper Co. in consideration of either direct or indirect financial aid:

	Tons
Chicago Daily News	42,500
Boston Herald and Traveler	30,000
Chicago Journal	5,000
Tampa Tribune	2,800
Greensboro Record	500
Richmond News-Leader	4,600
Albany Knickerbocker Press and News	6,000
Brooklyn Daily Eagle	12,000
Ithaca Journal News	400
Augusta Chronicle	700
Columbia Record	700
Spartanburg Herald-Journal	625
Total	105,225

The Chicago Daily News was supplied with newsprint by the International before the investment was made, but as control of the paper was being sold, it was thought to be good policy for the company to make the investment in order to maintain its "contract and business relations with the Chicago News."

The International Paper Co. has disposed of all its newspaper securities and has divested itself of financial interests therein with the exception of the Hall-La Varre group of papers and the Chicago Journal. The $870,000 note of the Hall-La Varre papers can not be disposed of on account of pending litigation between Mr. Hall and Mr. La Varre. In the case of the Chicago Journal, the International Paper Co. now holds bonds, not of the company that publishes the paper but of the liquidating company formed when the paper was

reorganized. The company, however, continues to deliver newsprint paper under the contracts made at the time the financial aid was given.

Minnesota & Ontario Paper Co.—During the latter part of 1927 there were rumors to the effect that Mr. E. W. Backus, president of the Minnesota & Ontario Paper Co., had invested $1,000,000 in Memphis Commercial-Appeal bonds and had thereby secured a contract to supply this newspaper with newsprint. On October 12, 1927, Mr. J. L. Fearing, vice president for the International Paper Co., sent a telegram to Mr. W. E. Mansfield, sales agent for the same company at Atlanta, Ga., reading:

> Give me in confidence the name or names of parties who told you that Memphis Commercial-Appeal had agreed to give Backus their contract for next year and that he took a million dollars worth of their bonds.

No reply to this telegram was found in the files. However, the matter has been investigated and it has been found that on May 1, 1927, Col. Luke Lea, of Nashville, Tenn., and his associates purchased the Memphis Commercial Appeal and organized the Commercial Publishing Co. to take over and publish the paper. At the time of its organization the Commercial Publishing Co. issued $2.500.000 in bonds, which were sold to the public by Caldwell & Co., of Nashville, Tenn., and Halsey-Stuart Co., of Chicago, Ill. During 1927 the Memphis Commercial Appeal, which hitherto had been purchasing its newsprint paper requirements from the International Paper Co. and the Great Northern Paper Co., entered into a 10-year contract to purchase its entire requirement of newsprint (about 15.000 tons per year) from the Minnesota & Ontario Paper Co. Colonel Lea, who is president of the Commercial Publishing Co., personally negotiated the contract. The price is to be fixed annually at an average of the price of the International Paper Co., the G. H. Mead Co., and the Canadian Export Co.

No evidence was found that the Minnesota & Ontario Paper Co., E. W. Backus, or anyone else acting for the paper company, had purchased any of the bonds of the Commercial Publishing Co. In an interview with one of the commission's attorneys on February 19, 1930, Mr. Lea made a statement substantially as follows:

> The Minnesota & Ontario Paper Co., E. W. Backus, or anyone else connected with this paper company, has never purchased securities of the Memphis Commercial Appeal of any nature or in any amount.

Section 7. Associations.

During this inquiry the activities of associations of paper manufacturers, jobbers, and newspaper publishers, in so far as their activities influence the newsprint paper industry were investigated. The News Print Service Bureau is the only association of newsprint manufacturers exclusively operating in the United States. The leading association of manufacturers of all kinds of paper products in the United States is the American Paper and Pulp Association.

The jobbers of paper have an organization called the National Paper Trade Association, which includes in its membership a large percentage of the jobbers of the United States.

The American Newspaper Publishers' Association, whose membership is made up of publishers of large daily papers, is the leading newspaper association.

The American Press Association and National Editorial Association are both nation-wide organizations, whose memberships consist of publishers of small daily and weekly papers, and local associations of small publishers.

The News Print Service Bureau.—The News Print Service Bureau is an organization of North American newsprint manufacturers having, as of May 1, 1929, 19 members in the United States, 16 in Canada, 2 in Newfoundland, and 1 in Mexico. The bureau's paid membership represents about 80 per cent of the total production of newsprint in these countries. It assembles and furnishes statistics relating to newsprint production, consumption, and stocks, together with a general service to members, including information relative to cost accounting and engineering. The records do not show that the bureau has attempted to gather or distribute any specific data on sales or prices of newsprint paper. The bureau receives from each mill, and distributes to all mills, samples of newsprint paper being produced currently. Bulletins are issued monthly showing development, notes of interest to the members, reports on market conditions, and statistics on production, shipments, and stocks at all the mills combined, in the United States, Canada, Newfoundland, and Mexico. The bulletins are mailed to all members of the bureau and to others interested.

Each member makes a weekly report to the bureau from which bulletins are compiled showing the list of companies reporting their production, shipments, and stocks and the rate of capacity at which each mill operated during the week. These weekly bulletins are held in strict confidence and are distributed only to companies furnishing the information to the bureau. Access to these weekly reports was requested by the commission but was refused because of their confidential nature. Since the association's activities apparently do not include the reporting of prices involving either current or past transactions, it was not considered likely that the association was violating any of the antitrust laws.

American Paper and Pulp Association.—This is an association of paper and pulp manufacturers organized for the purpose of promoting the welfare of the paper and pulp industry. It has a membership of about 235 manufacturers of all kinds and grades of paper and about 65 manufacturers of supplies and equipments for paper mills. It is also affiliated with about 20 associations of manufacturers of various paper products. The News Print Service Bureau, the only newsprint paper organization, is not affiliated with this association. The American Paper and Pulp Association has a number of standing or regular committees, including a tariff committee, a statistical committee, and several technical and advisory committees. It issues the Pulpwood, a monthly publication devoted to the protection of forests and the conservation and reforestation of timberlands. The association also gathers and compiles statistics on production, shipments, and stocks on hand of each kind of pulp and paper, which are published in monthly statistical summaries and distributed to all the members. Its statistics on newsprint are obtained from the News Print Service Bureau.

Although a number of manufacturers who produce newsprint along with other kinds of paper are members of the American Pulp

and Paper Association, none of its activities relate directly to newsprint.

National Paper Trade Association.—The National Paper Trade Association is an organization of "paper merchants" and its membership consists of paper dealers throughout the entire United States. Its members handle all kinds of paper products including newsprint which, however, constitutes an insignificant proportion of the total. The executive secretary of the association stated in an interview that the paper merchant handles so small a proportion of the newsprint paper that the association takes no interest whatever in the newsprint business of its members. He did not even know which of the members dealt in newsprint paper. The association is affiliated with a number of local and State paper merchants's associations throughout the United States.

The American Newspaper Publishers' Association.—This association was organized in 1887 and was incorporated under the laws of New York in 1897. Its membership is restricted to "proprietors of daily newspapers," and admission of new members is "by an affirmative vote of at least two-thirds of the entire board of directors." There were in November, 1929, 501 members of the association, 483 of whom were proprietors of daily papers located in the United States, 17 in Canada, and 1 in Hawaii. The association has an office in New York City with a general manager in charge of its affairs It has a number of regular committees including the "paper committee," through which all of the activities of the association relating to the newsprint paper industry are carried on.

The paper committee has been very active in matters relating to the newsprint paper industry. During 1925 the committee represented the newspapers when the matter of defining the term "standard newsprint paper" as used in the tariff act of 1922 was before the Treasury Department. A special bulletin was issued on July 3, 1925, which quoted the definition promulgated by the department and, commenting on the work of the association, said:

> Among other things, the American Newspaper Publishers Association committee vigorously opposed various sections of the definition as first proposed, one excluding sheet news from the free list, which, if adopted, would have worked much hardship on the small newspapers which do not use rolls.

The paper committee has represented the newspapers in all controversies over freight rates on newsprint paper. It has also, by issuing bulletins, frequently kept the member publishers informed as to conditions in the newsprint industry, especially production and market prices as well as notes and comments on new developments.

On November 10, 1927, the association issued a bulletin (No. 5460) in part as follows:

> We are informed, but have been unable to properly verify, that the Canadian selling pool will make the following price for 1928:
> The mill price will continue at $3.25 but in case of a freight rate of 38 cents or less, the mill will guarantee a freight rate of 20 cents for 1928; that is, in case of a 38-cent freight rate the publisher will pay 20 cents and the mill will absorb 18 cents; in case of a 30-cent freight rate the mill will absorb 10 cents.

The committee issued a number of bulletins during the months of June to October, 1928, describing conditions in the newsprint industry, predicting a price war, and calling attention to the rumors that the Premiers of the Provinces of Quebec and Ontario were—

> proposing to call a conference of newsprint manufacturers for the purpose of limiting production and making it possible for the smaller mills to continue in operation during the price slump. (Quotation from Bulletin No. 19, October 11, 1928.)

On October 30, 1928, the day following that on which the Hearst-International contract was signed, the association issued a bulletin, quoting the comments of the press on the contract, and saying:

> The price war referred to in our bulletins of June 1 and October 11 has continued to develop until now it is reported that the bottom has dropped out of the market and that future conditions can not be foretold.

The November 20, 1928, bulletin referred to meetings of the Canadian manufacturers and the interference with the newsprint situation by the Premiers of Ontario and Quebec. The bulletin quoted a letter dated November 19, 1928, sent by Premier Ferguson to the Canadian newsprint manufacturers. (See p. 41.) The association frequently issued bulletins during the months from November, 1928, to March, 1929, giving the members whatever information the committee could obtain on the newsprint situation.

In Bulletin (No. 33) issued on March 21, 1929, the paper committee said:

> During the period in which these conferences were taking place the paper committee advised Hon. William J. Donovan, assistant to the Attorney General of the United States, of the facts concerning the meetings of the paper manufacturers, so that if the circumstances warranted action under the Sherman or Clayton laws, such action could be taken by his office. Two days prior to the issuance of our bulletin of February 28, our general manager was advised from unofficial sources that an agreement had been reached by the paper manufacturers. Neither the paper committee, nor any member of the paper committee, at any time took any part whatever in the meetings of the manufacturers, or in the fixing of a price, and the paper committee made vigorous representations to the Premier of Ontario, objecting to the establishment of the Newsprint Institute of Canada as a price or production arbiter.

Another bulletin (No. 34) was issued on March 21, 1929, which quoted a letter from one of the members of the association complaining of the activities, or inactivities, of the paper committee in dealing with the newsprint situation and adding:

> I shall also ask at the annual meeting that the members of the American Newspaper Publishers Association go on record as to whether or not they think it is ethical for any man whose publications have been financed by the International Paper Co. to serve as a member of the paper committee or as a member of the board of directors, who are supposed to advise with the paper committee.

This letter was in reference to Mr. S. E. Thomason, chairman of the paper committee, whose newspapers had been financed by the International Paper Co. (See p. 92.) The complaint was discussed at the annual meeting of the association on April 24, 25, and 26, 1929, and a resolution was passed exonerating the committee and its chairman as follows:

> *Resolved*, That all the actions and activities of the paper committee are approved by the convention and that the paper committee and its chairman have our fullest confidence. A motion to adopt the resolution was seconded. The resolution was carried unanimously.

Mr. Thomason refused to serve on the paper committee for the ensuing year. At this meeting the paper committee made a lengthy report reviewing its work during the year. The report quoted correspondence between the chairman of the committee and the Department of Justice relating to the possibility of proceeding against the

Canadian newsprint manufacturers for violation of the antitrust laws.

The paper committee was active during the latter part of 1929, when the newsprint manufacturers of Canada began agitating an increase in prices for 1930. As early as October 4, 1929, the association issued a newsprint bulletin referring to a meeting of the manufacturers in Montreal during the preceding week. The bulletin also referred to the fact that the Mersey Paper Co. would be operating its new mill at Liverpool, Nova Scotia, which would produce about 60,000 tons of newsprint during 1930, and that the company was offering its paper for deliveries at North Atlantic ports at prices of approximately $59 per ton, or about $3 under the present contract market. This bulletin referred to the Hearst-International contract, saying:

> It seems to be generally believed that the International is committed, at least throughout 1930, to its present price on its 5-year contract with the Hearst organization. As the International is also committed to the principle of one price to all customers, it would seem that its present price must prevail throughout the coming year unless the Hearst organization agrees to an increase in price.
>
> It is rumored that efforts are being made to bring about such increase; but if true, and they should be unsuccessful, then the question arises whether the Newsprint Institute of Canada could maintain one scale of prices and the International another.
>
> The question has been asked, but not answered, whether the Newsprint Institute of Canada will meet the reduced price of the Mersey Paper Co.

During November and December, 1929, when an increase of $5 per ton in the price of newsprint was being considered, a 2-day joint session of the board of directors and the paper committee of the association was held, and following conferences with Mr. A. R. Graustein, president of the International Paper Co., and Mr. C. R. Whitehead, chairman of the board of governors of the Newsprint Institute of Canada, after the close of this meeting the board of directors reported as follows:

> The board has been unable to determine whether the Canadian manufacturers, acting under government pressure, will or will not shortly announce an increase in the price of the commodity of approximately $5 a ton. This would represent more than $17,000,000 increase in the annual production costs of American newspapers, at a time when overexpansion in the newsprint manufacturing industry has caused these mills to operate at less than 80 per cent of their capacity.
>
> In view of the activities of Canadian Government officials and manufacturers tending toward the substitution of an uneconomic control of production and price in place of the law of supply and demand, the board of directors of the American Newspaper Publishers Association has determined to call a special convention of all daily newspaper publishers to take steps for protection against artificial and arbitrary price fixing should an increase of price be announced.

The special convention of all daily newspapers was held in New York City December 9, 1929, where representatives of more than 300 newspapers throughout the United States and Canada met and voiced their ideas on the subject of the proposed increase. They were united in opposition to the increase and various methods of opposing it were discussed. No resolutions were adopted but the course of action was left with the board of directors and the paper committee of the association.

The board of directors held a meeting immediately after the adjournment of the convention and drafted the following telegram which was sent to Mr. C. R. Whitehead, chairman of the board of governors of the Newsprint Institute of Canada:

> At a meeting of publishers, represent ng over 300 leading daily newspapers to-day, your proposal as to price and terms was unan mously disapproved as unjustified under present conditions and a committee was appointed to present their views to the manufacturers. We repeat our invitation to you to meet this committee and discuss the situation.

This telegram was also sent to Price Bros. & Co. (Ltd.), Abitibi Power & Paper Co. (Ltd.), and the St. Maurice Valley Paper Co., all of which had previously announced price increases for 1930. A subcommittee consisting of 14 publishers was appointed to handle the newsprint matter. The subcommittee had a meeting with the officers of the Newsprint Institute of Canada on December 12, 1929.

Despite the vigorous defense of the Canadian manufacturers' proposed increase of $5 per ton made by the Premiers of Ontario and Quebec, the attitude of the American Newspaper Publishers' Association, combined with steps taken by some of the manufacturers to increase production of newsprint outside of the Dominion of Canada, resulted in some of the Canadian manufacturers abandoning their attempts to increase the mill price to $60 per ton. Before the end of December announcement was made by a number of the large producers of newsprint that the 1929 price would remain in effect during the first six months of 1930, the price for the last half of 1930 being left for determination later in the year.

The paper committee continued its efforts with the representatives of the Newsprint Institute of Canada to reach an agreement on 1930 prices. Several meetings were held during the first four months of 1930, the results of which were reported to a meeting of the association held in New York City April 23 to 25, 1930. This report contained a copy of a letter from Col. John H. Price, chairman of the board of governors of the Newsprint Institute of Canada, outlining in detail a program for gradually increasing prices over a 5-year period. The prices for 1930 were to remain unchanged. (See p. 47.) At the close of the meeting the association passed the resolution approving the principles of broad economic stabilization of production and prices of newsprint paper but left the price to be paid to be determined by each publisher in the exercise of his own independent judgment. Apparently the result of the various conferences is that prices will not be increased prior to 1931.

National Editorial Association.—This is an association of small daily and weekly newspapers organized in 1885. Its actual paid membership is approximately 5,000. The affiliated State and local associations add 6,000 more and bring its general membership up to about 11,000. The major portion of the work of the association is handled by committees. The association issues a service letter at frequent intervals, supplemented by special bulletins on various subjects whenever occasion warrants. The association also issues a regular monthly publication for distribution to its members. Mr. Herbert C. Hotaling, of St. Paul, Minn., executive secretary of the association, made a statement substantially as follows to one of the commission's attorneys:

We have no complaint to make regarding the prices of newsprint. In the past five years I have never been approached nor have I ever received a letter complaining about prices or any other newsprint matter. All complaints would necessarily be submitted to me, but there are none.

California Newspaper Publishers' Association.—In 1929 the contract price for roll newsprint to small city publishers in California was $70 per ton c. i. f. San Francisco or San Pedro. Most of these publishers were buying through brokers and jobbers and were being supplied with the product of the Crown Willamette Paper Co.

The California Newspaper Publishers Association presented facts to show that newsprint was being sold to certain large consumers on direct contract with the mill at $63.50 per ton c. i. f. the ports and that at the same time Swedish newsprint was being offered at $58 per ton at the ports.

The efforts of the association brought about a proposal from the Crown Willamette Paper Co., under date of March 18, 1929, which was as follows:

A reduction in price of $1.50 per ton c. i. f. San Francisco or San Pedro retroactive to January 1, 1929, or in lieu thereof a definite agreement now that the prevailing price of $70 per ton c. i. f. San Francisco or San Pedro will be guaranteed until January 1, 1931.

Commenting on the proposed reduction, the chairman of the committee in a letter to the members of the association stated:

This counter proposal having been made by the company on the assumption that the nswsprint market would stiffen before the end of 1929 sufficiently to justify an increase in price for 1930.

The association's committee having charge of this matter had been working for a price cut of at least $5 per ton and opposed the acceptance of the above proposition by members. The committee found nothing in existing conditions which justified the company's view of the 1930 market, and took the position that, with the addition of local freight rates from the port of either San Francisco or San Pedro to the publisher's city, amounting in some instances to $5 per ton, it would mean a maximum delivered cost in the State of California of approximately $73.50 per ton as against a maximum delivered cost to eastern newspapers located in cities of the same size of $64 per ton, and that such a wide differential was not justified unless a basis for it could be shown in greater manufacturing, marketing, or financing costs of Pacific coast mills as compared with eastern mill conditions.

In the list of "1929 newsprint contracts" furnished the commission by the Crown Willamette Paper Co., the company names 21 publications using less than 100 tons of newsprint annually, which "have been offered option of $1.50 per ton reduction for 1929 or $5 per ton reduction for 1930, but have not yet accepted either plan."

The association has been very active in its efforts to induce manufacturers to deal direct with small publishers. In a letter to the commission on November 12, 1929, the secretary of the association explained conditions in the following language:

For a period in excess of 20 years it has been impossible for small city newspaper publishers in California to purchase their supply of newsprint except through brokers or jobbers. It has been impossible to get a direct quotation from the mills. * * * During this same 20-year period certain newspaper publishers in California have been sold their supply of newsprint direct from the mills and at a price which ranged from $5 to $10 per ton less than the price charged to smaller newspaper publishers for their supply of newsprint purchased through brokers or jobbers.

On May 2, 1929, the chairman of the newsprint committee of the association sent to the members a form for a "confidential newsprint report," calling for details of the purchase of paper by each member. The form was accompanied by a letter in which the chairman of the committee said:

Frankly, the purpose back of securing the information set forth in this confidential newsprint report is to place your newsprint committee in a position to accurately and authentically represent the attitude of the individual membership of the association in negotiations with the newsprint mills and wholesale paper houses, looking toward the establishment of the method of buying newsprint direct from the mills instead of through paper houses and paying a brokerage fee or commission thereon, which materially increases the cost of newsprint to the individual member.

One of the outstanding reasons why it is impossible for us to get newsprint prices on the Pacific coast comparable to eastern prices is because most of the newsprint consumed by eastern newspapers is purchased direct from the mills, eliminating the broker's profits.

* * * * * * *

In any event, the condition which your committee hopes to create is substantially this:

Those roll newsprint users who prefer to buy direct from the Crown Willamette Paper Co. at the mill price will be able to do so; those members of our association who prefer to buy through Blake, Moffitt & Towne or Zellerbach under the terms and conditions of those paper houses or through any other brokers handling domestic newsprint, will be able to do so; those roll newsprint users now using foreign newsprint, purchased through either Fernstrom Co. or the Scandinavian Export Paper Co. or any other foreign source under the terms and conditions prescribed by those brokers, may be able to continue to do so. * * *

The executive committee of the association on July 18, 1929, requested the Crown Willamette Paper Co. to give all California publishers desiring to do so an opportunity to buy their requirements of newsprint paper direct from the Crown Willamette Paper Co. effective with the expiration of contracts between the members of the association and brokers or jobbers. On August 26, 1929, the Crown Willamette Paper Co. wrote the California Newspaper Publishers Association agreeing to the proposition and stating the terms upon which direct sales would be made, using the following language:

Consideration has been given to your executive committee's request that, effective with the expiration of cancellation by mutual agreement of existing newsprint contracts between members of your association and brokers or jobbers, all California publishers be given the opportunity of contracting direct with the Crown Willamette Paper Co. for their supply of newsprint and at our published price.

We are pleased to advise you that we are agreeable to adopting the policy of selling direct to such members of your association whose credit is satisfactory to us and who can regulate the purchasing and ordering of their paper supply to conform to the methods required by manufacturers, which in some respects are different from those of jobbers and other distributors of paper.

1. * * * Net cash remittances from the publishers on the 15th of the month covering all shipments made during the previous month.

2. * * * Specifications be delivered to it on the 10th of the month previous to the month in which deliveries are to be made.

3. Practically all of the contracts of Crown Willamette Paper Co. expire December 31, 1931, and in entering into any new contracts we would require the term of the contract to extend to that date.

4. Orders for shipments of paper must be in not less than carload lots as specified by transportation companies, and general terms and conditions as per our regular form of contract. * * *

Pursuing its announced new policy of selling direct to the publishers who would order in carload lots, on October 1, 1929, the Crown Willamette Paper Co. wrote the Sun and Evening Telegram at San Bernardino, Calif., referring to the above correspondence with the association and saying:

If it is your desire to purchase your supply of paper direct from the manufacturer instead of through a jobber or broker, we shall be very pleased to negotiate with you for your requirements, commencing January 1, 1930.

In a letter to the commission on November 12, 1929, the secretary of the association referred to recent favorable developments in the industry and stated:

Within the past 90 days, after intensive efforts on the part of the California Newspaper Publishers Association, the Crown Willamette Paper Co. agreed to sell all consumers of newsprint manufactured by the Crown Willamette Paper Co. direct from the mills, eliminating the brokers or jobbers, and at a standard price to be paid by metropolitan as well as small city newspaper publishers in California.

* * * * * * *

Within the past 30 days the Hawley Pulp & Paper Co., of Oregon City, Oreg., has offered its newsprint to California small city newspaper publishers on a direct mill price. This is the first time in 20 years, to the knowledge of our association, that this mill has offered its product direct to the small city California newspaper publisher.

In this letter the secretary of the association expressed his opinion that California newspapers, both large and small, would be able to buy print paper from several sources under competitive conditions.

The Ticon.—A meeting of the newsprint paper manufacturers of Europe and North America was held in Copenhagen on April 17, 1928. Representatives of manufacturers from North America, Finland, Norway, Sweden, Germany, and Holland attended this meeting. The North American representatives were: A. R. Graustein, of the International Paper Co.; J. L. Fearing, of the International Paper Co.; Lewis Chable, of the American Paper Export Co.; W. N. Hurlbut, of the Canadian Newsprint Co.; Seymour Backus, of the Minnesota & Ontario Paper Co.; and George F. Steele, of the Powell River Co. (Ltd.).

Mr. Graustein presided at this meeting. Mr. Lundquist, of Sweden, inquired if the American group intended that the Europeans abandon the United States market. Mr. Graustein replied that such was not the case; that the purpose of the meeting was to deal with markets outside the United States. Mr. Graustein explained the workings of the News Print Service Bureau with respect to the newsprint paper industry in America and suggested that the organization arrange to compile and distribute similar information relating to the newsprint industry of the world. A committee was appointed to gather and distribute information on production, shipments, inventories, etc. The members of the initial committee were as follows: Mr. Graustein, of North America; Mr. Lundquist, of Sweden; Mr. Vig, of Norway; Mr. Ahlman, of Finland; Mr. Hubner, of Germany; and Mr. Van Gelder, of Holland.

A vacancy was left for the English manufacturers to appoint a man on the committee. This committee was to gather and compile

statistics on world production, similar to the information compiled and distributed on North American products by the News Print Service Bureau of New York City.

Although the commission did not secure definite information, it appears that there was a subsequent meeting of newsprint manufacturers in Berlin during the latter part of 1928 at which they organized the Ticon, which seems to be an international association of newsprint paper manufacturers.

There was a meeting of the Ticon at The Hague on July 15 to 19, 1929, at which representatives from manufacturers in Germany, Finland, Norway, and Sweden were present. The following gentlemen from America attended this meeting: A. R. Graustein, of the International Paper Co.; Mr. Doane, of the International Paper Co.; and Mr. G. F. Steele, of the Powell River Co. (Ltd.).

Mr. Lundquist, of Sweden, was elected chairman. At this meeting prices to be quoted and quantities to be exported to certain countries by each group were agreed upon. A tentative agreement was reached between the various groups for the division of exports on a percentage basis for sales in South America, Australia, and Africa.

Mr. Graustein stated that these agreements were never ratified. Mr. Graustein also stated (and there was nothing in the minutes to the contrary) that there was no discussion as to a division of the market in the United States between the various groups of manufacturers.

There was also a meeting of the Ticon in Stockholm on August 9 and 10, 1929. There were no American representatives at this meeting.

There is nothing of any description in the files to indicate that there was any attempt on the part of the members of the Ticon to divide the business of or to fix prices effective in the United States.

CHAPTER VI

SUMMARY OF PRINCIPAL FACTS WITH CONCLUSIONS AND RECOMMENDATIONS

Section 1. Summary of the leading facts.

Newsprint paper is produced in North America in approximately 80 mills, 42 of which in 1929 were located in the United States and 38 in Canada. For many years the United States mills led Canada in the production of newsprint. In 1913 domestic mills produced 79 per cent and Canada 21 per cent of the combined production of both countries. Even then the United States mills were drawing on Canadian forests for pulpwood and wood pulp. The production was gradually shifting from United States mills to Canadian mills. By 1919 the domestic mills were producing 63 per cent and Canada 37 per cent of the total. Each country produced approximately 50 per cent of the total in 1925. During 1929 the domestic mills produced only 34 per cent, while Canada produced 66 per cent of the combined production of the two countries. Although the domestic production has decreased since 1926, the increase in the production of Canada has more than offset the decrease. Seven domestic newsprint mills have either ceased operations since 1926 or have been diverted to making other grades of paper. Approximately 80 per cent of the Canadian production is consumed in the United States. In 1921 the combined production of the two countries was 2,033,301 tons, whereas in 1929 it was 4,121,103 tons.

During the years of the World War demand for newsprint paper in the United States exceeded the supply. Paper was to be purchased only at a premium, with the result that prices soared, new mills were built, and capacities of existing mills were greatly increased. Prices of newsprint paper reached a peak of $130 a ton free on board mill contract on January 1, 1921. In that year, however, there were four price reductions, so that on the first day of 1922 the contract price was $70 per ton free on board mill. The expansion of the industry during the high-price period preceding 1921 was much greater than the increase in consumption and, with an abundant supply, prices dropped rapidly.

The only general increase in newsprint prices since 1921 became effective January 1, 1923, when the mill contract price was increased $5 to $75 a ton. This remained unchanged until July 1, 1924, and since that time there have been six general market price reductions resulting in a net change from $75 free on board mill, the publisher paying the freight, to delivered prices of $60 to $67 per ton, depending on location.

The consumption of newsprint paper has steadily increased. During 1929 the United States publishers used about 3,794,000 tons, of which 1,373,580 tons, or 36.2 per cent, were produced in the United States; 2,193,531 tons, or 57.8 per cent, were imported from Canada; 130,996 tons (3.5 per cent) were imported from Newfoundland; and the balance, 96,373 tons (2.5 per cent), were imported from Sweden, Finland, and other countries.

In 1929 there were 922 publishers who purchased 1,769,029 tons on contracts direct from United States manufacturers and 237 known publishers who purchased 1,270,567 tons on contract from Canadian manufacturing companies. In addition, there were 220 publishers who had contracts for 163,145 tons with jobbers and received shipments direct from the mills. This is a total of 1,379 publishers who purchased 3,202,741 tons, or 84 per cent, of the 1929 consumption under contracts at the carload market prices prevailing at their locations. Sixty-two small publishers purchased 5,338 tons of sheet newsprint during 1929 under contracts direct from manufacturers at less than carload contract price.

Sixty-four small publishers purchased 600 tons of newsprint during 1929 through two cooperative buying organizations at the free on board mill contract price.

During the investigation detailed information was received from jobbers showing that 2,739 small publishers, consuming approximately 14,720 tons annually, purchased their newsprint requirements at jobbers' prices. The commission also has information that at least 2,935 small publishers were supplied with 5,120 tons of newsprint by ready-print companies. Prices of ready-print sheets are based largely upon printing and advertising rates rather than upon newsprint costs.

A summary of the above figures indicates that the commission has details of purchases by 7,179 publishers (large and small) which consume 3,228,519 tons of newsprint paper, more than 85 per cent of the total estimated consumption of the United States. The greater part of the remaining 15 per cent represents purchases by large publishers who have contracts with Canadian and European manufacturers, of which the commission received no detail. There are about 7,000 publications, most of which are small daily and weekly papers, about which the commission has no information.

The prices paid by small publishers are based on quantities purchased. The report shows the jobbers' quoted market prices for newsprint when purchased in ton lots and 500-pound lots in the leading market centers at regular intervals from January 1, 1924, to July 1, 1929. There was no regularity in dates of price changes by jobbers, nor did they correspond with the dates of changes by manufacturers. However, the general trend of jobbers' prices since 1924 has been downward, thus reflecting generally the reductions made by manufacturers.

Jobbers' prices for 1929 are shown for the leading market centers of the country when purchased in any quantity. The range of these prices are as follows:

	Purchased in lots of—	Range per hundredweight
Rolls	1 ton	$3.05-$4.50
Do	500 pounds	3.60- 4.75
Sheets	1 ton	3.75- 5.75
Do	500 pounds	4.25- 5.75
Do	Bundles	4.75- 5.50
Do	Reams	5.00- 7.20
Do	Less than reams	7.00- 9.60

No attempt was made in this investigation to ascertain jobbers' profits on newsprint paper. However, typical reports were selected from jobbers in four market centers and a comparison made of the delivered cost and quoted price of paper during 1929. The comparison showed margins ranging from 80 to 96 cents per hundredweight when sold in ton lots. The margin must cover the expense of doing business, including carting, handling, storing, packing, shipping, etc., as well as its proportion of office expense. Most of the jobbers investigated claim that since all large publishers deal direct with the manufacturer there is no profit to the jobber in handling newsprint.

It appears that the cost of newsprint paper is a more serious item for the large publisher than for small publishers when compared with the total cost of publishing a newspaper. In daily papers of more than 400,000 circulation the average newsprint cost was 37 per cent of the total publishing cost. For daily papers of 200,000 to 400,000 circulation the newsprint cost was 34 per cent of the total. The percentage decreases with decrease in circulation. Daily papers of less than 10,000 circulation showed an average newsprint cost of only 14 per cent of the total cost. A group of weekly papers showed an average newsprint cost of only 15 per cent. It should be noted that the commission accepted the cost figures as reported by the publishers and made no attempt to verify them.

The 3 largest of the 34 domestic companies producing newsprint paper are the Great Northern Paper Co., the Crown Zellerbach Corporation, and the International Paper Co. These three companies manufacture almost 50 per cent of the newsprint paper produced in the United States and sell about 36 per cent of the total estimated consumption.

The Great Northern Paper Co. manufactured about 22 per cent of all the standard newsprint paper produced in the United States in 1928. The company had contracts outstanding during 1929 for the sale of 318,125 tons, which was equivalent to 22.8 per cent of the total newsprint produced and about 8.4 per cent of the estimated consumption. All of the company's sales are made on contracts to publishers located in States east of the Mississippi River. The Great Northern Paper Co. is generally classed as an independent company. No evidence was found of it having any financial connection or working arrangement with any other newsprint-paper manufacturer.

The International Paper Co. and its subsidiaries during 1928 manufactured 11.7 per cent of the standard newsprint paper produced

in the United States, 13.9 per cent of that produced in Canada, and 13.1 per cent of the combined production of the two countries. During the latter part of 1929 it had contracts outstanding for the sale of approximately 760,000 tons per year, which was equivalent to about 20 per cent of the estimated quantity consumed annually. These contracts are being filled by the production of the company's paper mills in the United States, Canada, and Newfoundland, supplemented by purchases of about 125,000 tons per year, which, during 1929, were purchased from Canadian manufacturers. The International Paper Co. supplies newsprint paper to approximately 507 publishers, nearly all of whom are located east of the Mississippi River in the United States. These publishers take about 99 per cent of the company's total newsprint sales.

The Crown Zellerbach Corporation, through its subsidiary companies, manufactures approximately 15 per cent of the newsprint produced in the United States and about 2.6 per cent of the production of Canada. It produced in 1928 about 7.2 per cent of the combined production of the United States and Canada. The total production of the Crown Zellerbach Corporation in 1928 was equivalent to about 7.7 per cent of the estimated consumption of newsprint in the United States. This corporation has the bulk of the newsprint paper business in the Pacific Coast States (Washington, Oregon, and California). It manufactures more than 80 per cent of the newsprint produced in these States and supplies over 70 per cent of the newsprint consumed therein. Its contract sales in the three States are equivalent to about 83 per cent of its total sales, including the production of its Canadian subsidiary.

The Crown Zellerbach Corporation has only 4 possible competitive newsprint manufacturing companies on the Pacific coast, 1 of which is in Canada and 3 in the United States. The Inland Empire Paper Co., having a mill at Millwood, near Spokane, Wash., is the largest manufacturer of newsprint in the Pacific Coast States not controlled by the Crown Zellerbach Corporation. It has not been a very active competitor. The bulk of its sales is made in the immediate vicinity of its mill, in the eastern part of Washington, and in Idaho, Montana, Oklahoma, and Texas. The Hawley Pulp & Paper Co. has a small mill at Oregon City, Oreg., which produced about 17,000 tons of newsprint in 1928 and 13,500 tons during the first five months of 1929. Its entire output is sold by the Graham Paper Co., of St. Louis, Mo., which has branch offices in 15 other cities, including San Francisco on the Pacific coast. A substantial proportion of the Hawley newsprint is sold in the Southwestern States. The Columbia River Paper Mills Co. and its affiliated company, the Tumwater Paper Mills Co., owning mills at Vancouver and Tumwater, Wash., respectively, manufacture a small quantity of newsprint paper. During 1928 the two mills produced about 2,000 tons of newsprint, nearly all of which were sold to seven publishers located in Washington and Oregon.

The Powell River Co. (Ltd.), the only potential Canadian competitor of Crown Zellerbach Corporation, has a mill at Powell River, 80 miles north of Vancouver, British Columbia, Canada, at which it produces about 150,000 tons of newsprint paper per year. About 90,000 tons, or approximately 60 per cent of its output, is sold in

the United States. George F. Steele (Inc.), of New York City, is the sales agent for the Powell River Co. (Ltd.) for the entire United States except California, Oregon, and Washington. Mr. George F. Steele made a statement on October 1, 1929, that his company had contracts covering the sale of about 75,000 tons per year. The Steele Co. has contracts with 40 publishers located in Texas, Louisiana, Oklahoma, Colorado, Nebraska, New Mexico, Arkansas, and Kansas. Direct information from one of the publisher customers of the Powell River Co. (Ltd.) indicates that sales were made by this company for shipment to Oklahoma at $2.46 per hundredweight ($49.20 per ton) free on board mill. The freight rate from Powell River to this customer is 79 cents per hundredweight or $15.80 per ton, making a delivered cost of $65 per ton. From the above facts it would seem that the Powell River Co. (Ltd.) does not offer very substantial competition to the Crown Zellerbach Corporation in the Pacific Coast States.

The imports from Canada during 1929 were equivalent to 57.8 per cent of the estimated total consumption in the United States. Following the announcement of a contract between the International Paper Co. and the Newspaper & Magazine Paper Corporation, the purchasing organization for the Hearst papers, in October, 1928, which, to a large extent, determined the contract price for all newsprint sold in the territory covered by the International, the leading manufacturers of Canada, at the instance of the Prime Ministers, the Hon. L. A. Taschereau, of the Province of Quebec, and the Hon. Howard Ferguson, of the Province of Ontario, organized the Newsprint Institute of Canada. The institute has been termed an "involuntary association" organized to carry out the mandates of the premiers. Its purposes are to restrict production to the quantity sold, allocate orders received to the constituent mills on the basis of rated daily capacity, and to fix prices. It is understood that all Canadian companies, except the Canadian International Paper Co., the Spruce Falls Power & Paper Co. (Ltd.), and the Ontario Paper Co. (Ltd.), and the two Pacific coast companies joined the institute. The Ontario Paper Co. (Ltd.) is owned by and sells its entire output of newsprint to the Chicago Tribune. The New York Times owns 49 per cent of the capital stock and takes practically all of the output of the Spruce Falls Power & Paper Co. (Ltd.). The institute controls about 69 per cent of the newsprint paper produced in Canada. During the first nine months of 1929 the members of the institute sold approximately 1,100,000 tons of newsprint to publishers in the United States. This quantity was equivalent to nearly 40 per cent of the estimated total consumption of newsprint in the United States. Unsuccessful efforts were made to induce the Canadian International Paper Co., a subsidiary of the International Paper Co., to join the institute. Strenuous efforts were also made by the premiers of Ontario and Quebec to have the International Paper Co. and the Newspaper & Magazine Paper Corporation the purchasing organization for the Hearst papers, agree to an advance in the price of newsprint paper in the International-Hearst contract. Their effort resulted in the parties drawing up a new contract which was executed on February 26, 1929, retroactive to January 1, at prices about $5 per ton higher than the original

International-Hearst contract. The prices stated in the revised contract were as follows:

Per ton free on board mill, freight allowed to—	
Boston, Albany, Rochester, and Syracuse	$61.50
New York, Baltimore, Washington, Detroit, Chicago, and Pittsburgh	62.00
Milwaukee	61.00
Omaha and Kansas City	63.00
Atlanta	64.00
San Antonio, Tex	67.70

At the same time the Hearst organization entered into new contracts with the Anglo-Canadian Pulp & Paper Mills (Ltd.) and the Brompton Pulp & Paper Co. (Ltd.) at prices substantially lower than those named in previous contracts with these two companies. The reduction Hearst obtained in these new contracts through the two Canadian companies offset the increase in the revised contract with the International Paper Co. Immediately following the execution of the revised Hearst contract, the International Paper Co. notified its other customers what their prices for 1929 would be, and offering them a new 5-year (1929–1933) contract, the price for 1929 to be the same as the Hearst contract price. The International Paper Co. was to advise its customers of the price for each subsequent year on or before November 30 of the preceding year. The country was divided into zones and a delivered price named for publishers in each zone reflecting as near as practicable the Hearst price.

Prior to November 30, 1929, the date on which 1930 prices were to be announced, the Newsprint Institute of Canada and Prime Ministers Taschereau, of Quebec, and Ferguson, of Ontario, began their efforts to have newsprint prices increased. The premiers used the same coercive methods to induce the International Paper Co. to increase its prices as were used in the latter part of 1928. However, the International Paper Co. refused to increase its prices at that time.

The paper committee of the American Newspaper Publishers Association has been negotiating with representatives of the Newsprint Institute of Canada in an effort to stabilize newsprint. During these negotiations the institute submitted a proposal to the publishers providing for a gradual increase of $5 per ton of newsprint spread over three years (1931–1933). Although the matter is still unsettled, it is apparent that there will be no increase in prices prior to 1931.

The International Paper Co. on April 30, 1929, had financial investments in five companies publishing 14 newspapers. The total amount involved in these investments was $10,849,700. In each instance, in consideration of the financial aid, the publications contracted with the International Paper Co. for their newsprint requirements. The total tonnage of newsprint paper contracted for because of the International Paper Co.'s financial aid was 62,725 tons annually. The Chicago Daily News, in which the International Paper Co. had invested $250,000, was already under contract with the International Paper Co. for 42,500 tons of newsprint annually, so that that contract was not procured because of the investment, although it may be retained because of it. Since this investigation was started the International Paper Co. had disposed of practically all of its securities in publishing companies.

CONCLUSIONS

The following conclusions may be drawn from the facts disclosed in the detailed report:

1. There is no company selling newsprint paper in the eastern part of the United States with a sufficient proportion of the business to constitute a monopoly.

2. The possible monopoly, or tendency toward monopoly, by the Crown Zellerbach Corporation of the newsprint paper business in the Pacific Coast States and the acquisition by the Crown Zellerbach Corporation of the capital stock of the Crown Willamette Paper Co., while controlling the Washington Pulp & Paper Co., are subject matters of a case now being further investigated by the commission.

3. No evidence was found of any practices of the domestic manufacturers and distributors of newsprint paper showing unlawful discriminations against the publishers of small daily and weekly newspapers or that constitute violations of the antitrust laws.

4. While the International Paper Co. sells only about 20 per cent of the newsprint paper consumed in the United States, other domestic manufacturers generally follow its lead in making newsprint prices.

5. The contracts entered into on February 26, 1929, between the International Paper Co. and the Newspaper & Magazine Paper Corporation, purchasing organization for the Hearst newspapers, and between the Hearst organization and each of the two Canadian companies, viz, the Anglo-Canadian Pulp & Paper Mills (Ltd.) and the Brompton Pulp & Paper Co. (Ltd.), resulted from the several agreements and understandings, reached at various conferences, between and/or among representatives of the Hearst organization, the International Paper Co., the Hon. L. A. Taschereau, Prime Minister of the Province of Quebec, and the Hon. G. Howard Ferguson, Prime Minister of the Province of Ontario. The two prime ministers were acting on behalf of the newspaper manufacturers of their respective provinces. The purpose and the effect of the several agreements and understandings were to fix and establish the contract price of newsprint paper. The International Paper Co. was induced to agree to an increase in the price of newspaper to the Hearst papers by threats of disciplinary action on the part of the prime ministers.

6. It is believed that the Newsprint Institute of Canada, if formed and existing in the United States, would be in violation of the antitrust laws, including the antitrust provisions of the Wilson Tariff Act, which read, in part, as follows:

> Every combination, conspiracy, trust, agreement, or contract is hereby declared to be contrary to public policy, illegal, and void when the same is made by or between two or more persons or corporations either of whom, as agent or principal, is engaged in importing any article from any foreign country into the United States, and when such combination, conspiracy, trust, agreement, or contract is intended to operate in restraint of lawful trade of free competition in lawful trade or commerce, or to increase the market price in any part of the United States of any article or articles imported or intended to be imported into the United States, or of any manufacture into which such imported articles enter or is intended to enter. (Comp. St., 8831.)

The Newsprint Institute of Canada is, however, a foreign combination and is not under the jurisdiction of the United States, unless

it creates an agency in this country over which the Federal Government could have jurisdiction. No such agency has been found to exist in this country.

7. The International Paper Co. is the only manufacturer of newsprint paper which aided publishers to any appreciable extent in financing newspaper publications. The evidence gathered in this investigation tends to show that financial assistance was given in consideration of securing long-term contracts to supply the publishers so financed with newsprint paper by the International Paper Co. Since the beginning of this investigation the International Paper Co. has disposed of practically all of its stock and other securities in publishing companies.

RECOMMENDATIONS

The following recommendations are made:

1. That publishers of small daily and weekly newspapers, wherever possible, "set up machinery" for purchasing their requirements of newsprint on a cooperative basis in order to get the benefit of the manufacturers' contract prices for paper in shipments of carload lots.

2. That the United States Government, through the appropriate departments, continue its experiments with the manufacture of paper from farm waste products.

3. That the Government-owned timberlands and water-power sites in Alaska be made available to domestic-owned companies on liberal terms for the development of the paper industry in Alaska, having in mind, of course, the conserving and perpetuating of these natural resources.

4. That the future activities of the Newsprint Institute of Canada in relation to the sale of newsprint paper and the fixing of the market prices in the United States be watched closely with a view to remedial action if any agency is found to exist or is created within the United States for the enforcement of such activities as may be contrary to the antitrust laws of the United States.

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